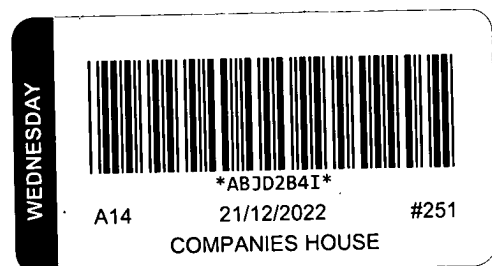


# kaspersky

Registration number: 4249748

**Kaspersky Labs Limited**

**Directors' Report  
and  
Consolidated Financial Statements  
for the year ended 31 December 2021**



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## **Strategic Report**

The Directors of Kaspersky Labs Limited present their strategic and directors' reports and the audited consolidated financial statements for the year ended 31 December 2021.

### **(a) Principal activities**

Kaspersky Labs Limited (the "Company"), a private company limited by shares, and its subsidiaries (together referred to as the "Group" or "Kaspersky") comprise of private limited companies in accordance with The Companies Act 2006 located in the United Kingdom, as well as companies located in Russia, Switzerland, Germany, France, United States of America (the "US"), China, Germany, France and other countries.

The Company's registered office is: 2 Kingdom Street, Paddington Basin, London, W2 6BD.

Kaspersky is one of the world's largest privately-owned cybersecurity companies, with the company registered in the United Kingdom.

The Group was founded in 1997 and today it is an international group operating in almost 200 countries and territories worldwide. It has 34 representative territory offices in more than 30 countries. Kaspersky has a corporate client base of more than 240,000 companies located around the globe, ranging from small and medium-sized businesses to large governmental and commercial organizations. Over 400 million people worldwide are protected by Kaspersky products and technologies. Kaspersky currently employs more than 4,500 qualified specialists.

The Group's portfolio encompasses solutions to suit a wide range of customers, protecting consumers, small companies, medium-sized businesses and enterprises from different types of threats and provides them with convenient tools to control and manage their security.

Kaspersky empowers consumers with a range of products to protect all corners of their lives from cybercrime. It understands the needs of small businesses and has a unique multi-layered solution especially for them, which unites ease of management and effective protection. The Group covers all the cybersecurity needs of large enterprises with its full enterprise platform that helps to prevent all types of cyberthreats, detects even the most sophisticated attacks, responds to security incidents and predicts the evolution of the threat landscape. The Group's comprehensive portfolio of solutions achieves all of this thanks to the combination of our expertise, threat intelligence and machine learning that enables us to develop robust technologies to detect, block and prevent cyberattacks. The business focus of Kaspersky is continuing to evolve from "cybersecurity" towards the wider concept of "Cyber Immunity".

Almost half of the team working at Kaspersky are research and development (R&D) specialists developing and maintaining all of our solutions in-house, which is key to providing a holistic approach to security. An elite group of more than 40 security experts from our Global Research and Analysis Team (GReAT) operate all around the world and provide leading threat intelligence and research. The team is well-known for the discovery and dissection of some of the world's most sophisticated threats, including cyber-espionage and cyber-sabotage threats.

To record the groundbreaking malicious cyber-campaigns that have been investigated by GReAT, Kaspersky launched an advanced persistent threat (APT) Logbook. Although our key expertise is related to cyberthreats, we fight against them not only to ensure that our customers are protected now, but so that our solutions are also ready for new challenges in the future. Today, it is more

important for us to use this accumulated expertise to create technologies that will make cyberthreats lose their relevance.

Kaspersky is focused on innovation and believes in the collaboration with brilliant minds to accelerate the development of new solutions for a digitally safe today and tomorrow. Within Kaspersky Product Studio, a special unit aimed at exploring and creating new digital products for the company's ecosystem, we discover new frontiers and identify new trends, understanding market needs, security challenges and demands across industries. We aim to develop solutions not only for the cybersecurity sector but also for IoT, fintech, legal tech, health tech, digital communications and smart homes.

Management believes that collaboration is the most effective way to fight cybercriminals. To this end, the Group shares its expertise, knowledge and technical findings with the world's security community. Kaspersky was included in the list of Vulnerability Top Contributors by Microsoft.

Kaspersky cooperates with INTERPOL in the joint fight against cybercrime. The company provides the organization with human resources support, training, and threat intelligence data on the latest cybercriminal activities. Other partners in the field of law enforcement include, but are not limited to the Microsoft Digital Crimes Unit, as well as Computer Emergency Response Teams (CERTs) and many other police authorities worldwide.

By joining forces, the Group helped fighting cybercrime (such as the Carbanak case), disrupt criminal botnets (for example, Simda), and launch new initiatives (such as No More Ransom, with more than 100 supporting partners from the public and private sector). The Group takes part in joint cyberthreat investigations and conducts trainings for cybersecurity specialists. Collaboration between the Dutch police and Kaspersky led to the arrest of suspects behind the CoinVault ransomware attacks.

Kaspersky is involved in the discussion and development of cybersecurity initiatives and standards through its advisory group memberships (i.e. the Anti-Malware Testing Standards Organization). Aiming to solve the cyber security challenges faced by the modern world today, Kaspersky is also a member of initiatives and organizations such as Securing Smart Cities, the Industrial Internet Consortium and AUTOSAR.

**(b) Going concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review and in the Principal Risks and Uncertainties on pages 5 to 11. In addition, Note 23 to the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

In February 2022, the Russian Federation started a "special military operation" in Ukraine. As a result, a number of countries imposed sanctions on Russia and Russian individuals and companies. Due to the fact that the Group has a significant presence in Russia and is managed by Russian citizens, the Group's business in some regions has been affected by negative publicity and, in some cases, other restrictions on operations mostly in public sector. Business development in some of the markets became challenging due to the certain regulators' actions, such as recommendations not to use its products in public sector, made on political grounds, without technical and objective evidence.

As a result of considering different scenarios of the development of the geopolitical crisis Directors concluded that due to the geographical diversity of its business the Group is able to continue in

operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**(c) Business review**

Market overview

Key drivers of the security market include the following:

**Corporate**

- Cloud-native security solutions are rapidly gaining traction among companies of all sizes, as SaaS-delivered solutions allow companies to shift the administrative burden from product maintenance to more productive threat mitigation and risk reduction activities. Cloud products' nimble architecture also appeals to organizations that support an increasingly remote, distributed workforce, and must spend to secure it.
- The trend of vendor/agent consolidation continues, as organizations increasingly demonstrate a preference for buying fully integrated endpoint prevention / EDR offerings over best-of-breed point solutions.
- A growing availability of and appetite for managed detection and response (MDR) services are lowering the barrier to entry for small and midsize companies wishing to buy EDR solutions, thus increasing the addressable market for providers.
- Introduction of XDR (extended detection and response) as a class of automated information security systems designed to proactively detect threats at various infrastructure levels, respond to them, and counter complex threats.

**Consumer**

- As everyday life becomes more digitalized, consumers encounter increasing exposure to threats to their online security and privacy. The adoption of smart home devices and growing spend on technology services and subscriptions (e.g. wireless, internet, video content services, gaming) will only serve to broaden consumers' digital footprint, and thus their attack surface.
- The consumer cybersecurity market consists of three segments:
  - Security. Protection of physical and virtual endpoints via detection of malicious code and behaviors and by limiting exposure with preventive techniques across operating systems.
  - Privacy. Protection of personal data and other sensitive information from non-sanctioned access by 3<sup>rd</sup> parties via encryption, proxies and other data security tools.
  - Identity. Prevention of identity theft, fraud and consumer data leakages by monitoring, alerting and acting on personal breaches on behalf of customers.
- Although the penetration of consumer antivirus is high, the penetration of other consumer security technologies that are frequently bundled with antivirus, such as consumer VPN or

password managers, remains much lower. Providers offering these features/functionalities will seek to actively market their benefits to attract new customers.

The key markets where Kaspersky operates include:

- Consumer digital life protection (CDLP), previously categorized as consumer endpoint security, captures the broader set of technologies that vendors offer to consumers to address a range of consumers' cybersecurity and digital protection and privacy needs. Currently CDLP technologies include endpoint device security (i.e., antivirus), connected home security, parental controls, password management, cloud backup, identity protection, consumer VPN, and device care. CDLP vendors offer each technology as a separate product and/or tiered product packages of CDLP technologies and features.
- Endpoint Security products protect against both file-based and file-less malware. In the corporate segment, the endpoint security market is also increasingly associated with the Endpoint Detection & Response (EDR) market. EDR products facilitate incident investigation and remediation on endpoints in cases where threats successfully evade prevention controls.
- Managed Detection and Response (MDR) delivers advanced, round-the-clock protection from the growing volume of threats circumventing automated security barriers, providing detection and response capabilities and supported by hunting team.
- Web security – web security products are deployed on software, appliance, SaaS, and virtual platforms. Web security products may be capable of URL filtering, web anti-malware, web application firewall, and web content filtering. Select data loss prevention technologies can be included in web security as well. Web security products protect against both inbound (malware) and outbound (data leakage) threats.
- Messaging security – solutions are deployed on various types of messaging platforms. Product functionalities may include anti-spam, anti-malware, and content filtering. Messaging security products may also contain select data loss prevention, alongside select information protection and control technologies. These products are designed to work with applications, including email, instant messaging (IM), and other collaborative applications.
- Threat Intelligence Services – services for provisioning of information about potential cyber threats, including existing and emerging threats, cybercrime actors, tools and methods. This information can be used to inform decisions regarding the client's response to those menaces / hazards. Threat intelligence is made available through portals, online delivered feeds, subscription-based analyst personnel support and platform software.
- Hybrid Cloud Security (Cloud Workload Protection) – Kaspersky Hybrid Cloud Security provides efficient virtual and cloud workload protection, visibility and control for hybrid IT infrastructures, with no adverse impact on systems or users. Multi-layered security technologies - including system hardening, exploit prevention, file integrity monitoring, network attack blocking and static & behavioral anti-malware - deliver comprehensive protection throughout the entire infrastructure, from virtualized servers and desktops to public cloud (AWS, Azure, Google Cloud) instances.
- Industrial Cybersecurity – Kaspersky Industrial Cybersecurity is a portfolio of technologies and services designed to secure every industrial layer, including SCADA servers, HMI,

engineering workstations, PLCs, network connections and people – without having an impact on operational continuity and the consistency of industrial processes.

- Automated Security Awareness services offer a new approach to online educational programs. Simplified objective-setting, automated learning paths, practical exercises based on real-life scenarios all help in delivering effective results and a successful outcome, for participants and training management alike.

The Group also extends its product portfolio in Security Services, Online Fraud Prevention and Embedded Systems Security.

### Partnerships

During 2021 the Group acquired 81.21% ownership in B4N Group limited, which has been developing solutions and services to help enterprises and service providers adapt modern technologies, such as Software-Defined Wide-Area Network (SD-WAN) and Network Functions Virtualization (NFV), with existing network infrastructure. Brain4Net's team joined the Group and contributes to building Kaspersky's compelling network security strategy, as well as a Secure Access Service Edge (SASE) and evolved Extended Detection and Response (XDR) offering. SASE and XDR are becoming an integral part of the single ecosystem which is Kaspersky's vision for the future of corporate cybersecurity. The central element of this ecosystem is Kaspersky Open Single Management Platform. It will become a single cloud-native technological platform to build Kaspersky XDR and will use deployment model agnostic architecture. This way, the platform could be used across the public cloud, private cloud or even on-premises.

During 2022, subsequent to the reporting period the Group increased its share in LLC New Cloud Technologies ("NCT"), a Russian developer of office applications. Please refer to Section (f) Future developments of the Strategic Report.

### KPIs

The Group measures its progress against goals using the following key performance indicators ("KPIs"): billings, revenue, results from operating activity and net profit before tax.

The main short-term KPI the Group uses to track the progress of the business within a year as well as year-on-year growth is billings. Billings represent the total monetary value of products and services sold and delivered to its customers during a reporting period measured by the monetary amounts of invoices issued to its partners and customers. Billings are the most accurate measure of the sales volumes and growth of business. International Financial Reporting Standards ("IFRS") and the Group's accounting policy require that some software license revenue is recognised rateably over the license term, which therefore has the effect of deferring a portion of billings to future periods. This ensures a future guaranteed revenue stream in the amount of the contract liabilities as at the end of a reporting period providing the Group's performance obligations are met.

The Group's billings increased in 2021 by 9% from USD 747 million in 2020 to USD 812 million. Billings expressed in local currencies of the countries, in which the sales are made, increased by 4% in 2021 compared to 2020. The growth is due to higher sales to corporate clients, large enterprises. In addition to its core business revenues, the Group earned USD 5 million (2020: USD 4 million) of lease income from letting out office premises.

The Group's revenue increased by 6% from USD 713 million in 2020 to USD 758 million in the current reporting period. Revenue in constant currency terms increased in 2021 by 6.7% compared to 2020.

The Group's profit from operating activities decreased by 55% from USD 110 million in 2020 to USD 49 million in 2021, the decline mainly being due to increase of employee compensation, which reflects the Group's determination to invest in people.

The Group's EBITDA<sup>1</sup> decreased from USD 161 million in 2020 to USD 102 million in 2021. Its dynamics corresponds to the change in operating profit.

The Group's net finance costs of USD 11 million (2020: costs of USD 24 million) decreased compared 2020 due to a net foreign exchange gain of USD 20 million, which is partially offset by a higher impairment of loans receivable from an associate and a third party.

The Group's profit before income tax decreased by 56% from USD 87 million in 2020 to USD 38 million in the current reporting period.

The Group's effective tax rate decreased from 75% in 2020 to 63% in 2021 mainly due to a lower effect of changes in tax rates in foreign jurisdictions. The group's effective tax rate for 2020 reported in the consolidated financial statements as at and for the year ended 31 December 2020 (53%) was adjusted in the preparation of these consolidated financial statements for comparability due to an amendment of the methodology for calculating deferred tax on deductible temporary differences arising from contract liabilities. Refer for details to Note 35 to the consolidated financial statements.

As a result of factors described above, the Group's net profit for 2021 amounted to USD 14 million (2020: USD 22 million).

#### **(d) Principal risks and uncertainties**

Certain risks and uncertainties may have a material impact on the performance of the Group.

##### **Geopolitical risk**

The Group conducts operations on different national markets and can be significantly affected by geopolitical situations in the world. An example of international events significantly influencing the Group is the "special military operation" launched by the Russian Federation in Ukraine in February 2022 and sanctions on Russia and Russian companies imposed by some countries. As a result of such events the Group receives negative publicity in some countries. To cope with these geopolitical challenges the Group abides by the highest ethical business practices, and through its Global Transparency Initiative launched in 2017, it is exemplifying its ongoing commitment to assuring the security, integrity and trustworthiness of its products as well as transparency of its business operations.

In particular, the Group relocated part of its data-processing infrastructure to Switzerland: malicious and suspicious files shared by users of Kaspersky products in Europe, North and Latin America, the Middle East, and several countries in Asia-Pacific are processed in two datacenters in Zurich, that provide world-class facilities in compliance with industry standards. The Group also operates four Transparency Centers globally: in Zurich, Switzerland, in Madrid, Spain, in Kuala Lumpur, Malaysia

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<sup>1</sup> EBITDA for twelve months ended 31 December 2021 includes IFRS operating profit of USD 49 million (2020: USD 110 million) plus depreciation and amortisation USD 53 million (2020: USD 51 million).



and São Paulo, Brazil. These are facilities for our customers and partners to review the company's source-code, threat detection rules, and software updates. In addition to that, they serve as briefing centers to learn more about company's engineering and data management practices. As part of the Global Transparency Initiative, the Group has also increased its bug bounty program, confirmed the reliability and integrity of its engineering practices through Service Organization Control for Service Organizations (SOC 2) audit in 2019 and in 2022, and successfully passed the ISO 27001 certification for its data services. The company also started to publish its transparency report, sharing how the company responds to law enforcement and government requests in supporting cybercrime investigations as well as to data requests from its users.

#### Technological risk

The Group operates in a market where technology plays a key role. Maintaining industry leadership positions is subject to a number of risks. Specifically, the Group may lack financial and other resources to maintain its positions. Products in the Group's target market are technologically complex and vulnerable to defects and error. Additionally, a possible infringement of the Group's intellectual property rights may negatively affect the Group's competitiveness in the market. The Group manages this risk by investing substantial resources in research and development activities, including those which are related to ensuring product quality, as well as in legal substantiation of its intellectual property rights.

Endpoint security has historically been the core of the Group's business; this security market is close to maturity and the growth is minimal. This may negatively affect the Group's financial performance and position in the future. To manage this risk we are constantly expanding our product portfolio with solutions in the non-endpoint security area, such as critical infrastructure IT protection, cybersecurity intelligence and Secure Web / E-Mail Gateway services.

#### Market risk

Some of the third-party products in the endpoint security market (especially the consumer segment) are free. The trend of moving to free products is especially apparent in the Asian markets. In most cases, the free products are only providing basic antivirus protection but customers are looking for a complete suite of security capability. The Group believes that free endpoint security software is not a detriment to the market but recognises that it has to manage the risk of market share loss to free endpoint security solutions by ensuring the quality of its products and by introducing a freemium software model.

#### Credit risk

The Group's policy in working with customers is focused on market penetration. As such, extended credit terms are granted to some of the Groups' major distributors. In addition, the Group invests in resellers' incentives offering them volume rebates and other similar discounts. This results in a credit risk which the Group incurs on its trade accounts receivable. The Group manages this risk by developing a network of long-term reliable distributors and by day-to-day monitoring of exposure to individual customers. Credit risk management activities are led by a Credit Committee including representatives of top management. Note 23(c)(iii) of the consolidated financial statements sets out a description of this risk.

#### Foreign currency risk

The Group is exposed to foreign currency risk, because some entities of the Group need to carry out sales and purchases and make lending and borrowings in currencies different from the functional

currencies of these entities. This risk is mitigated by the day-to-day monitoring of the Group's open foreign currency position and the currency structure of its financial resources. Note 23(f) of the consolidated financial statements sets out a description of this risk.

#### Cash flow and liquidity risk

The Group's operating margins slightly weakened (6% in 2021 and 15% in 2020), but its operating cash flow has been considerable in recent years (USD 150 million in 2021 and USD 123 million in 2020). The Group's net current monetary assets position remains stable. The Group's most significant liabilities as at the reporting date are non-monetary contract liabilities of USD 616 million (2020: USD 586 million) due to the Group's revenue recognition policy. The Group's monetary current assets<sup>2</sup> at 31 December 2021 are USD 504 million (2020: USD 449 million). These monetary current assets exceed the Group's monetary current liabilities<sup>3</sup> of USD 175 million (2020: USD 142 million).

On a regular basis the cash position of the Group is monitored to ensure sufficient cash resources are available to settle liabilities as they fall due – both in aggregate and in each individual currency. Management carries out a thorough analysis of the Group's cash position before making any significant investment or financing decisions.

#### **(e) Statement by the Directors in performance of their statutory duties in accordance with s172 Companies Act 2006**

The Directors consider the following issues, factors and stakeholders relevant in complying with section 172 (1) (a) to (f):

##### **Regard to the likely consequences of decisions in the long term**

The 2022 budget which was approved in 2021 places focus on the Group's profitability, which is meant to be achieved through a combination of revenue growth and efficient spending in strategically important directions.

##### **Regard to the interests of the company's employees**

Employee remuneration amounted in 2021 to 62% of the Group's operating expenses (2020: 57%). Section (g) of the Directors' report describes the key directions of employee engagement by the Group.

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<sup>2</sup> Monetary current assets as at 31 December 2021 include cash and cash equivalents of USD 143 million (2020: USD 184 million), trade receivables of USD 222 million (2020: USD 196 million), less provision for bad and doubtful debts of USD 11 million (2020: USD 15 million), plus other receivables of USD 22 million (2020: USD 13 million), investments of USD 128 million (2020: USD 71 million).

<sup>3</sup> Monetary current liabilities as at 31 December 2021 include trade and other payables of USD 208 million (2020: USD 162 million), less advances received of USD 3 million (2020: USD 1 million), social and other taxes payable of USD 39 million (2020: USD 28 million). Monetary current liabilities as at 31 December 2021 also included the current lease payable of USD 9 million (2020: USD 9 million).

**Regard to the need to foster the company's business relationships with suppliers, customers and others**

The Board is committed to ensure that the Group strictly comply with its obligations to its suppliers and customers. Refer to Section (a) Principal activities of Strategic report for information about the Group's commitment to its customers through providing them top quality products.

**Regards to the impact of the company's operations on the community and the environment**

The Group operates in the industry whose primary goal is fighting cybercrime which benefits communities worldwide. Section (a) Principal activities of Strategic report describe the alliances with other companies and governmental bodies that the Group takes part in to promote cybersecurity around the world. Section (i) Environment of Directors' report addresses The Group's regards to the impact of its operations on the environment.

**Regards to the desirability of the company maintaining a reputation for high standards of business conduct**

The Board considers that the reputation for high standards of business conduct derives primarily from meeting its obligations to its customers and suppliers, involving employees in the relevant areas of its business activity and promoting cybersecurity to make the world safer. The efforts that the Group undertakes in this respect are described within the Strategic and Directors' reports.

**Regards to the need to act fairly as between members of the company**

The Group treats all its shareholders fairly and no preferences are made to some shareholders at the expense of the others. During 2021 the Group declared dividends of USD 11,000 thousand (2020: no dividends declared) and did not enter in material transactions with any of its members, apart from the fact that some of the Group's shareholders are part of the management and/or are employed by the Group.

**(f) Future developments**

**The effect of the conflict in Ukraine**

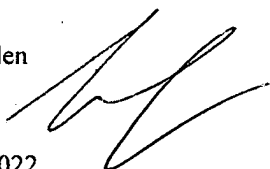
As stated in Section (b) of this Report, in February 2022 the Russian Federation started a "special military operation" in Ukraine. This negatively affected the Group's business in some countries. Nevertheless, its business operations remain stable and the Group is confident that due to geographical diversity of its business as well as taken measures within the Global Transparency Initiative it is able to continue its operations for the foreseeable future.

Management have not yet been able to quantify the financial effect of the conflict on the Group.

In February 2022 the Group increased its share in LLC New Cloud Technologies (“NCT”) to a controlling stake of 61.05%. NCT develop complex cloud solutions for online mass storage and document processing. This is a continuation of Kaspersky’s strategy to diversify its business and invest in expanding IT areas. The Group sees high potential in the synergy formed between MyOffice’s software developments and the cyber-immune approach that serves as the basis for the Group’s product offerings.

This report was approved by the board and signed on its behalf.

Svetlana von Wenden  
Director



Date: 13 October 2022

## **Directors' Report**

The Directors of Kaspersky Labs Limited present their directors' report for the year ended 31 December 2021.

### **(a) Directors**

The following directors held office during the year and subsequent to the year end:

E. Kaspersky

A. De-Monderik                      Resigned on 27 June 2022

A. Tikhonov

D. Borshchev

S. von Wenden

### **(b) Corporate governance arrangements**

The Group does not apply a formal corporate governance code. All the entities inside the Group are governed in accordance with the relevant laws and constitution and by-laws that apply in their country.

The key members of the Company are the Company's Board of Directors. The nature and functions of the Board and the manner in which it is conducted is aligned with the Articles and Memorandum of Association of the Company. All the Company's Directors are equally involved in managing all sides of the Company's activities and interact with the members of the Company in accordance with the laws of the UK.

There is no governance code required because the management of the Company and the Group management on the highest level is executed by the same permanent group of chief managers, headed by major beneficial owners (members) of the Group, in the form of the Company's Board of Directors. In this respect the Company has no practical need for any special governance code or supplementary arrangements for corporate governance as the Board and the shareholders are structurally aligned.

### **(c) Distribution to shareholders**

During the year ended 31 December 2021 the Group declared dividends of USD 11,000 thousand (2020: declared no dividends).

### **(d) Redemption of the Company's own shares**

During the year the Group did not acquire any of its own shares.

Subsequent to the reporting date the Company acquired and cancelled 5,040,000 its own shares for a cash consideration of USD 40,000 thousand. The Company committed to acquire additional 1,260,000 its own shares for a cash consideration of USD 10,000 thousand by the end of 2022.

**(e) Research and development**

The Group undertakes research and development in connection with its principal activity. The Group's research and development expenses increased by 31% from USD 141,483 thousand in 2020 to USD 185,815 thousand in 2021. The increase was mostly due to an increase in payroll costs (due to headcount growth). The average number of employees involved in research and development increased from 1,931 in 2020 to 2,204 in 2021.

**(f) Disabled employees**

The Group hiring policies stipulate full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. We provide continuing employment to those employees who become disabled during their employment with the Group, and provide training, career development and promotion to disabled employees, where appropriate.

**(g) Employee involvement**

Employee involvement and commitment to the success of the business is an important element of the Group's culture. Management conducts regular communications and consultations with employees on key aspects of the Group's activities in the form of e-mail communications, annual meetings and informal events. A significant portion of employees bonuses depend on the financial performance of the business unit that they belong to and/or the Group as a whole. An annual review of employee compensation is performed to support the business strategy of profitable revenue growth, which should in turn provide interesting and fulfilling work and the prospect of a higher future remuneration if the strategy is successfully achieved.

**(h) Engagement with suppliers, customers and others in a business relationship with the company**

Please refer to Section (e) of Strategic report.

**(i) Environment**

The Group is conscious of its environmental responsibilities and aims at reducing any damage to the environment that might be caused by its activities, primarily by reducing energy consumption.

**(j) Streamlined Energy and Carbon Reporting**

UK Greenhouse gas emissions and energy use data for the period 1 January 2021 to 31 December 2021:

	<u>2021</u>	<u>2020</u>
<b>Energy consumption used to calculate emissions (kWh)</b>	115,095.47	116,673.96
<b>Energy consumption break down (kWh):</b>		
• gas	1,662.60	2,474.92
• electricity	105,432.10	77,077.00
• transport fuel	8,000.77	37,122.05
<b>Scope 1 emissions in metric tonnes CO2e</b>	0.30	0.46
Gas consumption	0.30	0.46
<b>Scope 2 emissions in metric tonnes CO2e</b>	<b>22.39</b>	<b>17.97</b>
Purchased electricity	22.39	17.97
<b>Scope 3 emissions in metric tonnes CO2e</b>	<b>2.24</b>	<b>10.41</b>
Business travel in employee owned vehicles	2.24	10.41
<b>Total gross emissions in metric tonnes CO2e</b>	<u><b>24.93</b></u>	<u><b>28.84</b></u>
<b>Intensity ratio Tonnes CO2e per employees</b>	<u><b>0.25</b></u>	<u><b>0.26</b></u>

Quantification and reporting methodology

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per average number of people employed during 2021 and 2020.

Measures taken to improve energy efficiency

Most of energy and carbon is consumed by the Group as office or travel expenses. Due to COVID-19 pandemic most of the Group's employees worked from home during the reporting period and business travel activity reduced to a minimum. This allowed to achieve a low energy consumption during 2021. While this was not a result of conscious measures taken to improve energy efficiency, this allowed to accumulate resources for energy efficiency measures for the future periods.

**(k) Events subsequent to the reporting period**

The subsequent events have been disclosed in Note 31 to the financial statements.

**(l) Disclosure of information to auditors**

The Directors who hold the office at the date of this report confirm that, so far as they are each aware there is no relevant audit information of which the Group's auditor is unaware, and each Director has

taken all the steps that he/she ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

**(m) Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the consolidated financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the consolidated 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 adopted for use in the United Kingdom ("UK adopted IFRS") and applicable law.

Under company law the directors must not approve the consolidated 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 UK adopted IFRS;
- 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 consolidated 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 consolidated 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

**(n) Matters covered in the strategic report**

The company has chosen in accordance with the Companies Act 2006 s.414C to set out in the company's strategic report information required by large and medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the director's report.



**(o) Auditors**

The Company has not yet appointed auditors for 2022.

This report was approved by the board and signed on its behalf.

Svetlana von Wenden

Director

A handwritten signature in black ink, consisting of a series of loops and strokes, positioned to the right of the name and title.

Date: 13 October 2022

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KASPERSKY LABS LIMITED**

### **Opinion**

We have audited the financial statements of Kaspersky Labs Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Parent Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted for use in the United Kingdom ("UK adopted IFRS") in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2021, and of the group's profit and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted IFRSs in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with UK adopted IFRSs in conformity with the requirements of the Companies Act 2006 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the strategic and directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors 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 for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

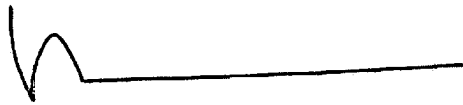
- Enquiry of management, those charged with governance and the entity's in-house legal team around actual and potential litigation and claims
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias
- Reviewing minutes of meetings of those charged with governance
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

### **Use of our report**

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.



Yogan Patel FCA (Senior Statutory Auditor)  
For and on behalf of MHA MacIntyre Hudson, Statutory Auditors  
London, United Kingdom  
Date: 14 October 2022

*Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021*

'000 USD	Note	2021	2020 Restated *
<b>Revenue</b>	2	<b>758,162</b>	<b>712,975</b>
Cost of sales	3	(54,481)	(45,564)
<b>Gross profit</b>		<b>703,681</b>	<b>667,411</b>
Research and development expenses	4	(185,815)	(141,483)
Distribution expenses	5	(313,828)	(286,124)
Administrative expenses	6	(146,646)	(119,104)
Reversal of impairment loss on trade receivables	23(c)(iii)	948	1,425
Other income	7	1,917	994
Other expenses	7	(11,068)	(12,925)
<b>Profit from operating activities</b>		<b>49,189</b>	<b>110,194</b>
Finance income	10	29,972	6,388
Finance costs	10	(1,705)	(3,596)
Impairment loss on other loans	10	(30,215)	(5,255)
Impairment loss on the loan to associate	10	(9,098)	(21,123)
Net finance costs		(11,046)	(23,586)
<b>Profit before income tax</b>		<b>38,143</b>	<b>86,608</b>
Income tax expense	11	(24,040)	(64,651)
<b>Profit for the year</b>		<b>14,103</b>	<b>21,957</b>
<b>Other comprehensive income</b>			
Item that are or may be reclassified subsequently to profit and loss			
Foreign currency translation differences for foreign operations		(14,222)	(27,437)
Other comprehensive income for the year, net of income tax		(14,222)	(27,437)
<b>Total comprehensive income for the year</b>		<b>(119)</b>	<b>(5,480)</b>
Profit attributable to:			
Owners of the Company		14,147	21,957
Non-controlling interests	28	(44)	-
<b>Profit for the year</b>		<b>14,103</b>	<b>21,957</b>
Total comprehensive income attributable to:			
Owners of the Company		(68)	(5,920)
Non-controlling interests		(51)	440
<b>Total comprehensive income for the year</b>		<b>(119)</b>	<b>(5,480)</b>

\*See note 35 for details regarding the restatement.

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 30 to 87.

'000 USD	Note	2021	2020 Restated *
<b>Assets</b>			
Property, plant and equipment	12	236,467	240,212
Investment property	13	24,206	26,769
Intangible assets	14	64,765	53,016
Right-of-use asset under long-term leases	15	13,372	19,478
Deferred tax assets	16	88,273	89,355
Non-current investments	18	69,065	951
Other receivables		10,468	305
<b>Non-current assets</b>		<b>506,616</b>	<b>430,086</b>
Inventories	17	817	856
Other investments	18	128,082	118,513
Trade and other receivables	19	252,005	223,794
Income tax		11,415	12,755
Cash and cash equivalents	20	142,865	184,096
<b>Current assets</b>		<b>535,184</b>	<b>540,014</b>
<b>Total assets</b>		<b>1,041,800</b>	<b>970,100</b>

\*See note 35 for details regarding the restatement.

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 30 to 87.

**Kaspersky Labs Limited**  
Registration number: 4249748  
*Consolidated Statement of Financial Position as at 31 December 2021*

'000 USD	Note	2021	2020 Restated*
<b>Equity</b>			
Share capital	21	1	1
Translation reserve	21	(90,405)	(76,190)
Retained earnings	21	233,627	230,480
<b>Equity attributable to owners of the Company</b>		<b>143,223</b>	<b>154,291</b>
Non-controlling interests	28	285	-
<b>Total equity</b>		<b>143,508</b>	<b>154,291</b>
<b>Liabilities</b>			
Non-current contract liabilities		153,534	139,482
Non-current lease liability	15	5,685	10,960
Deferred tax liabilities	16	10,287	8,401
Other payables		3,557	2,774
<b>Non-current liabilities</b>		<b>173,063</b>	<b>161,617</b>
Trade and other payables	22	249,954	190,505
Lease liability	15	8,569	9,122
Contract liabilities		462,292	446,450
Income tax payable		4,414	8,115
<b>Current liabilities</b>		<b>725,229</b>	<b>654,192</b>
<b>Total liabilities</b>		<b>898,292</b>	<b>815,809</b>
<b>Total equity and liabilities</b>		<b>1,041,800</b>	<b>970,100</b>

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 13 October 2022 and were signed on its behalf by:

Svetlana von Wenden  
Director



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\*See note 35 for details regarding the restatement.

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 30 to 87.



'000 USD

	Attributable to equity holders of the Company					
	Share capital	Translation reserve	Retained earnings	Total	Non-controlling interests (Note 28)	Total equity
Balance at 1 January 2021 as reported previously	1	(74,323)	254,488	180,166	-	180,166
Adjustment (refer to note 35)	-	(1,867)	(24,008)	(25,875)	-	(25,875)
Balance at 1 January 2021 as restated	1	(76,190)	230,480	154,291	-	154,291
<b>Total comprehensive income</b>						
Profit for the year	-	-	14,147	14,147	(44)	14,103
<b>Other comprehensive income</b>						
Foreign currency translation differences	-	(14,215)	-	(14,215)	(7)	(14,222)
<b>Total other comprehensive income</b>	-	(14,215)	-	(14,215)	(7)	(14,222)
<b>Total comprehensive income for the year</b>	-	(14,215)	14,147	(68)	(51)	(119)
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Non-controlling interest in an acquired subsidiary	-	-	-	-	336	336
Dividends	-	-	(11,000)	(11,000)	-	(11,000)
<b>Total contributions by and distributions to owners</b>	-	-	(11,000)	(11,000)	336	(10,664)
<b>Balance at 31 December 2021</b>	1	(90,405)	233,627	143,223	285	143,508

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 30 to 87.

'000 USD

	Attributable to equity holders of the Company					Non-controlling interests (Note 28)	Total equity
	Share capital	Translation reserve	Retained earnings	Total			
Balance at 1 January 2020 as reported previously	1	(48,299)	213,579	165,281	(440)		164,841
Adjustment (refer to note 35)	-	(14)	(5,056)	(5,070)	-		(5,070)
<b>Balance at 1 January 2020 as restated</b>	<b>1</b>	<b>(48,313)</b>	<b>208,523</b>	<b>160,211</b>	<b>(440)</b>		<b>159,771</b>
<b>Total comprehensive income (restated, refer to note 35)</b>							
Profit for the year	-	-	21,957	21,957	-		21,957
<b>Other comprehensive income</b>							
Foreign currency translation differences	-	(27,877)	-	(27,877)	440		(27,437)
<b>Total other comprehensive income</b>	<b>-</b>	<b>(27,877)</b>	<b>-</b>	<b>(27,877)</b>	<b>440</b>		<b>(27,437)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(27,877)</b>	<b>21,957</b>	<b>(5,920)</b>	<b>440</b>		<b>(5,480)</b>
<b>Balance at 31 December 2020 (restated, refer to note 35)</b>	<b>1</b>	<b>(76,190)</b>	<b>230,480</b>	<b>154,291</b>	<b>-</b>		<b>154,291</b>

**Kaspersky Labs Limited**  
Registration number: 4249748  
Consolidated Statement of Cash Flows for the year ended 31 December 2021

'000 USD	Note	2021	2020 Restated*
<b>Cash flows from operating activities</b>			
Profit for the year		14,103	21,957
<i>Adjustments for:</i>			
Depreciation and amortisation	12-15	53,017	50,805
Impairment losses	10	39,313	26,378
Loss on disposal of property, plant and equipment	12	229	202
Loss on disposal of intangible assets	14	7	3,913
Loss on disposal of right-of-use assets and lease liability reassessment	15	1,033	529
Finance income	10	(29,972)	(6,388)
Finance costs	10	1,705	3,596
Income tax expense	11	24,040	64,651
<b>Cash from operating activities before changes in working capital and provisions</b>		<b>103,475</b>	<b>165,643</b>
Change in inventories		(118)	394
Change in trade and other receivables		(57,890)	7,167
Change in trade and other payables		81,332	(35,162)
Change in contract liabilities		47,098	34,163
<b>Cash flows from operations before income taxes and interest paid</b>		<b>173,897</b>	<b>172,205</b>
Income tax paid		(23,524)	(49,164)
Interest paid		-	-
<b>Net cash from operating activities</b>		<b>150,373</b>	<b>123,041</b>

\*See note 35 for details regarding the restatement.

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 30 to 87.

'000 USD	Note	2021	2020
<b>Cash flows from investing activities</b>			
Cash from withdrawing bank deposits and other investments		38,538	81,389
Net cash outflow from acquisition of subsidiary		(10,600)	490
Interest received		4,368	2,159
Dividends received		1,064	526
Proceeds from sublease		659	459
Investments in related parties	26	-	(734)
Acquisition of property, plant and equipment	12	(23,514)	(21,826)
Acquisition of investment property	13	(52)	(38)
Acquisition of intangible assets	14	(14,062)	(11,230)
Acquisition of other investments	18	(160,325)	(80,218)
<b>Net cash used in investing activities</b>		<b>(163,924)</b>	<b>(29,023)</b>
<b>Cash flows from financing activities</b>			
Payments of lease liabilities, net	15	(11,784)	(9,888)
Distribution to shareholders		(11,000)	-
Repayment of borrowings		-	(352)
<b>Net cash used in financing activities</b>		<b>(22,784)</b>	<b>(10,240)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(36,335)</b>	<b>83,778</b>
Cash and cash equivalents at 1 January		184,096	95,718
Effect of exchange rate fluctuations on cash and cash equivalents		(4,896)	4,600
<b>Cash and cash equivalents at 31 December</b>	20	<b>142,865</b>	<b>184,096</b>

- |  |   |
|--|---|
| 1. Basis of preparation                        | 20. Cash and cash equivalents                         |
| 2. Revenue                                     | 21. Capital and reserves                              |
| 3. Cost of sales                               | 22. Trade and other payables                          |
| 4. Research and development expenses           | 23. Fair values and risk management                   |
| 5. Distribution expenses                       | 24. Operating leases                                  |
| 6. Administrative expenses                     | 25. Contingencies                                     |
| 7. Other income and expenses                   | 26. Related party transactions                        |
| 8. Personnel costs                             | 27. Subsidiaries                                      |
| 9. Auditors' remuneration                      | 28. Non-controlling interests                         |
| 10. Finance income and finance costs           | 29. Financial instruments                             |
| 11. Income tax expense                         | 30. Acquisition of B4N Group limited                  |
| 12. Property, plant and equipment              | 31. Events subsequent to the reporting date           |
| 13. Investment property                        | 32. Financial commitments                             |
| 14. Intangible assets                          | 33. Significant accounting policies                   |
| 15. Right-of-use assets under long-term leases | 34. New standards and interpretations not yet adopted |
| 16. Deferred tax assets and liabilities        | 35. Adjustments of comparative period information     |
| 17. Inventories                                | 36. Determination of fair values                      |
| 18. Other investments                          |   |
| 19. Trade and other receivables                |   |

## 1. Basis of preparation

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use in the United Kingdom ("UK adopted IFRS") and also in accordance with the applicable requirements of the Companies Act 2006.

### (b) Basis of measurement

The consolidated financial statements are prepared on the historical cost and fair value basis.

### (c) Functional and presentation currency

The functional currencies of the Group's significant entities are presented below:

	<b>Country of incorporation</b>	<b>Functional currency</b>
Kaspersky Labs Limited	United Kingdom	United States Dollars
JSC Kaspersky Lab	Russia	Russian Rouble
JSC VSSI	Russia	United States Dollars
Kaspersky Lab UK Limited	United Kingdom	Euro
Kaspersky Lab Switzerland GmbH	Switzerland	Euro
Kaspersky Lab Inc.	United States	United States Dollars
Kaspersky Labs GmbH	Germany	Euro
Kaspersky Lab France E.U.R.L.	France	Euro
Kaspersky Lab Italia S.r.l.	Italy	Euro
Kaspersky Lab Singapore PTE. Ltd	Singapore	Singapore dollar
Kabushiki Kaisha Kaspersky Labs Japan	Japan	Japanese yen
Kaspersky Lab Middle East FZ-LLC	United Arab Emirates	Arab Emirates dirham
KL Anti-Virus Solutions (S de RL de CV)	Mexico	Mexican Peso

These consolidated financial statements are presented in USD, which Management believes is more convenient for users. All financial information presented in USD has been rounded to the nearest thousand.

### (d) Use of 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and 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:

- Note 14 - intangible assets;
- Note 23 - fair values and risk management;
- Note 25 – contingencies;
- Note 33 (n) – revenue recognition policy.

## 2. Revenue

Revenue earned by the Group consists of the following types:

	2021	2020
	'000 USD	'000 USD
Sales of licenses and cybersecurity related services	752,281	705,951
Rental income from leasing investment property	4,998	3,866
Income from electronic distribution of software	883	3,158
<b>Total revenues</b>	<b>758,162</b>	<b>712,975</b>

Sales of licenses and cybersecurity related services for year 2021 include USD 437,683 thousand of sales from the brought forward contract liabilities balance as at 31 December 2020 (2020: USD 411,351 thousand from the brought forward contract liabilities balance as at 31 December 2019).

## 3. Cost of sales

	2021	2020
	'000 USD	'000 USD
Services	21,528	16,348
Wages, salaries and bonuses	17,599	15,635
Payroll taxes and pension costs	1,959	1,990
Materials	7,188	5,270
Investment property costs	2,491	2,243
Investment property depreciation	1,158	1,270
Depreciation and amortisation	1,328	1,435
Depreciation of right-of-use asset	879	965
Short-term leases	351	409
	<b>54,481</b>	<b>45,564</b>

#### 4. Research and development expenses

	2021	2020
	'000 USD	'000 USD
Wages, salaries and bonuses	137,798	93,131
Payroll taxes and pension costs	5,488	7,417
Depreciation and amortisation	20,233	19,582
Depreciation of right-of-use asset	3,430	2,321
Services	17,956	18,096
Short-term leases	910	936
	<b>185,815</b>	<b>141,483</b>

#### 5. Distribution expenses

	2021	2020
	'000 USD	'000 USD
Advertising and marketing expenses	113,131	111,937
Wages, salaries and bonuses	123,088	106,449
Payroll taxes and pension costs	13,837	13,063
Services and commissions	46,617	38,222
Depreciation and amortisation	10,838	10,206
Depreciation of right-of-use asset	4,595	4,490
Short-term leases	1,722	1,757
	<b>313,828</b>	<b>286,124</b>



## 6. Administrative expenses

	2021	2020
	'000 USD	'000 USD
Wages, salaries and bonuses	98,543	74,092
Payroll taxes and pension costs	4,916	6,667
Services	29,083	25,685
Depreciation and amortisation	8,541	8,681
Depreciation of right-of-use asset	2,015	1,856
Company events	2,921	1,392
Rent	627	731
	<b>146,646</b>	<b>119,104</b>

## 7. Other income and expenses

	2021	2020
	'000 USD	'000 USD
Non-recoverable VAT	(11,025)	(10,277)
Other expenses	(43)	(2,648)
Other income	1,917	994
	<b>(9,151)</b>	<b>(11,931)</b>

## 8. Personnel costs

### (a) Personnel remuneration

	2021	2020
	'000 USD	'000 USD
Wages, salaries and bonuses	377,028	289,307
Payroll taxes	25,863	28,786
Contributions to non-mandatory defined contribution pension plans	337	351
	<b>403,228</b>	<b>318,444</b>

The average number of employees (including directors) for the Group during the year analysed by function was as follows:

	<b>2021</b>	<b>2020</b>
Research and development	2,204	1,931
Sales and marketing	1,307	1,230
General and administrative	978	938
Customer support	249	244
	<b>4,738</b>	<b>4,343</b>

**(b) Directors' emoluments**

The average number of directors during 2021 was 5 (2020: 5). Salaries of the directors of USD 25,759 thousand (2020: USD 6,001 thousand) are included in the personnel costs.

The emoluments of the highest paid director were USD 12,278 thousand (2020: USD 2,496 thousand). No pension contributions were made for the directors (2020: nil).

**9. Auditors' remuneration**

	<b>2021</b>	<b>2020</b>
	<b>'000 USD</b>	<b>'000 USD</b>
Audit of these consolidated financial statements	274	247
Audit of other subsidiaries	370	317
	<b>644</b>	<b>564</b>

## 10. Finance income and finance costs

	2021	2020
	'000 USD	'000 USD
<b>Finance income</b>		
Net foreign exchange gain	19,520	-
Interest income on bank deposits	2,625	1,243
Dividend income	1,062	526
Investment gain	6,765	4,619
Finance income	29,972	6,388
<b>Finance costs</b>		
Net foreign exchange loss	-	(1,773)
Interest expense	(24)	(14)
Interest expense under leases	(1,033)	(747)
Impairment loss on loans to associate	(9,098)	(21,123)
Impairment loss on other loans	(30,215)	(5,255)
Bank commissions	(581)	(966)
Unwinding of discount	(67)	(96)
Finance costs	(41,018)	(29,974)
Net finance income recognised in profit or loss	(11,046)	(23,586)

The total finance income measured at amortised cost was USD 3,687 thousand (2020: USD 1,769 thousand).

The total finance costs measured at amortised cost was USD 40,437 thousand (2020: USD 27,235 thousand).

## 11. Income tax expense

The Group's applicable tax rate is the income tax rate of 19% for United Kingdom companies.

	2021	2020
	'000 USD	Restated*
	'000 USD	'000 USD
<b>Current tax expense</b>		
Current period	25,587	48,266
Under/(over) provided in previous years	1,005	(5,351)
<b>Total current tax expense</b>	<b>26,592</b>	<b>42,915</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(2,764)	(14,257)
Effect of changes of the tax rates in foreign jurisdictions upon deferred tax balances	1,800	31,462
(Over)/under provided in previous years	(1,588)	4,531
<b>Total deferred tax (benefit)/expense</b>	<b>(2,552)</b>	<b>21,736</b>
<b>Total income tax expense</b>	<b>24,040</b>	<b>64,651</b>

\*See note 35 for details regarding the restatement.

**Reconciliation of effective tax rate:**

	2021		2020	
	'000 USD	%	Restated*	
			'000 USD	%
Profit before income tax	38,143		86,608	
Tax at the UK statutory rate of 19% (2020: 19%)	(7,247)	19	(16,456)	19
Withholding tax suffered	(6,298)	17	(7,274)	9
Effect of tax rates in foreign jurisdictions	(5,538)	15	(5,902)	7
Derecognition of previously recognised tax losses	(2,015)	5	-	-
Effect of changes of the tax rates in foreign jurisdictions upon deferred tax balances	(1,800)	5	(31,462)	37
Non-deductible expenses/non-taxable income	(1,697)	4	(2,836)	3
Deferred tax recognised due to changes in tax base of property, plant and equipment	(44)	0	(1,291)	1
Over-provided in prior years	583	(2)	820	(1)
Other	16	0	(250)	0
	<b>(24,040)</b>	<b>63</b>	<b>(64,651)</b>	<b>75</b>

**Factors that may affect future tax charges.**

The UK government has announced in its Spring 2021 budget that corporation tax will increase to 25% from 1 April 2023, which will increase Group's future tax charges accordingly. This announcement was reversed by the new UK Government on 23 September 2022 and therefore is expected to reduce current tax charges and deferred tax positions in the UK, once substantively enacted.

\*See note 35 for details regarding the restatement.

## 12. Property, plant and equipment

'000 USD	Computer and other equipment	Fixtures and fittings	Construction in progress	Buildings	Total
<i>Cost</i>					
<b>Balance at 1 January 2020</b>	<b>164,700</b>	<b>18,237</b>	<b>604</b>	<b>294,554</b>	<b>478,095</b>
Additions	2,864	329	18,907	-	22,100
Transfers	11,733	59	(11,808)	16	-
Transfer from investment property	(165)	(5)	(4)	(1,448)	(1,622)
Disposals	(1,100)	(214)	(56)	-	(1,370)
Translation differences	(15,169)	(569)	(2)	(3,677)	(19,417)
<b>Balance at 31 December 2020</b>	<b>162,863</b>	<b>17,837</b>	<b>7,641</b>	<b>289,445</b>	<b>477,786</b>
<b>Balance at 1 January 2021</b>	<b>162,863</b>	<b>17,837</b>	<b>7,641</b>	<b>289,445</b>	<b>477,786</b>
Additions	2,895	163	20,468	29	23,555
Transfers	15,325	225	(15,614)	64	-
Transfer from investment property	230	7	8	2,011	2,256
Disposals	(4,671)	(280)	-	(17)	(4,968)
Translation differences	(2,778)	(958)	(6)	(107)	(3,849)
<b>Balance at 31 December 2021</b>	<b>173,864</b>	<b>16,994</b>	<b>12,497</b>	<b>291,425</b>	<b>494,780</b>
<i>Depreciation</i>					
<b>Balance at 1 January 2020</b>	<b>(132,973)</b>	<b>(12,347)</b>	<b>-</b>	<b>(82,619)</b>	<b>(227,939)</b>
Depreciation charge	(16,281)	(1,393)	-	(9,832)	(27,506)
Disposals	994	174	-	-	1,168
Transfers	3	(3)	-	-	-
Transfer from investment property	145	5	-	380	530
Translation differences	12,641	224	-	3,308	16,173
<b>Balance at 31 December 2020</b>	<b>(135,471)</b>	<b>(13,340)</b>	<b>-</b>	<b>(88,763)</b>	<b>(237,574)</b>

'000 USD	Computer and other equipment	Fixtures and fittings	Construction in progress	Buildings	Total
<b>Balance at 1 January 2021</b>	(135,471)	(13,340)	-	(88,763)	(237,574)
Depreciation charge	(17,465)	(733)	-	(9,603)	(27,801)
Transfers	(37)	37	-	-	-
Disposals	4,553	169	-	17	4,739
Transfer from investment property	(203)	(6)	-	(595)	(804)
Translation differences	2,205	818	-	104	3,127
<b>Balance at 31 December 2021</b>	<b>(146,418)</b>	<b>(13,055)</b>	<b>-</b>	<b>(98,840)</b>	<b>(258,313)</b>
<i>Net book value</i>					
<b>At 31 December 2020</b>	<b>27,392</b>	<b>4,497</b>	<b>7,641</b>	<b>200,682</b>	<b>240,212</b>
<b>At 31 December 2021</b>	<b>27,446</b>	<b>3,939</b>	<b>12,497</b>	<b>192,585</b>	<b>236,467</b>

Depreciation expense was charged as follows:

	2021 '000 USD	2020 '000 USD
Cost of goods sold	1,039	1,114
Research and development	14,584	14,036
Distribution expenses	5,898	6,024
Administrative expenses	6,280	6,332
<b>Total depreciation</b>	<b>27,801</b>	<b>27,506</b>

### 13. Investment property

'000 USD	Cost	Accumulated depreciation and impairment	Net book value
<b>Balance at 1 January 2020</b>	<b>46,855</b>	<b>(19,947)</b>	<b>26,908</b>
Additions to cost	45	-	45
Disposals	(7)	-	(7)
Transfer to property, plant and equipment	1,622	(529)	1,093
Depreciation charge	-	(1,270)	(1,270)
<b>Balance at 31 December 2020</b>	<b>48,515</b>	<b>(21,746)</b>	<b>26,769</b>
Additions to cost	52	-	52
Disposals	(7)	-	(7)
Transfer to property, plant and equipment	(2,256)	806	(1,450)
Depreciation charge	-	(1,158)	(1,158)
<b>Balance at 31 December 2021</b>	<b>46,304</b>	<b>(22,098)</b>	<b>24,206</b>

Investment property is represented by an office building in Moscow. A part of the complex is leased out to third parties and considered to be an investment property. Investment property is carried at cost less accumulated depreciation and impairment. Major leases contain an initial non-cancellable period of 1-3 years from the reporting date.

During the year the Group received rental income of USD 4,998 thousand (2020: USD 3,866 thousand). Direct operating costs attributable to the investment property and included in cost of sales amounted to USD 2,491 thousand (2020: USD 2,243 thousand).

Useful life of the building component of the investment property is 30 years and that of other equipment and subsystems 5 to 10 years.

The fair value of the investment property as at 31 December 2021 according to a professional valuers' report is USD 28,098 thousand (2020: USD 29,121 thousand). It is Level 3 fair value under IFRS 13.

*Fair value measurement.* The valuation was done using the income approach by discounting the anticipated future income streams and an exit value to a present value. The use of market comparables in the valuation was limited because of the nature of the property and lack of comparable market data. The following key assumptions underlie the valuation:

- The forecast period used in valuation is 6 years.
- The rental rates indexation for the property is derived from the existing lease agreements providing for an annual indexation of 2.2-5%. Upon expiry of lease agreements, a base market rent at the current level at the valuation date was applied, assuming further annual rental indexation in line with the expected consumer price index of the relevant currencies.
- The occupancy rate was also based on the existing rent agreements. Upon expiry of lease agreements, a stabilised occupancy rate of 100% was used.



- The terminal value was calculated assuming a yield of 8.4% for the sale of the Property when the stabilised income is achieved.
- In order to arrive at a present value of the anticipated future income streams and an exit value, a discount rate of 11.81% p.a. was applied.

## 14. Intangible assets

'000 USD	Software licenses and patents	Other intangible assets	Goodwill	Total
<i>Cost</i>				
Balance at 1 January 2020	35,017	597	16,767	52,381
Additions	28,155	-	12,585	40,740
Disposals	(6,620)	(1)	-	(6,621)
Translation differences	(2,865)	54	-	(2,811)
<b>Balance at 31 December 2020</b>	<b>53,687</b>	<b>650</b>	<b>29,352</b>	<b>83,689</b>
Balance at 1 January 2021	53,687	650	29,352	83,689
Additions	17,211	-	9,045	26,256
Disposals	(6,680)	-	-	(6,680)
Translation differences	(2,069)	(50)	-	(2,119)
<b>Balance at 31 December 2021</b>	<b>62,149</b>	<b>600</b>	<b>38,397</b>	<b>101,146</b>
<i>Amortisation</i>				
Balance at 1 January 2020	(16,051)	(594)	(6,291)	(22,936)
Amortisation charge	(12,397)	(1)	-	(12,398)
Disposals	2,708	-	-	2,708
Translation differences	2,007	(54)	-	1,953
<b>Balance at 31 December 2020</b>	<b>(23,733)</b>	<b>(649)</b>	<b>(6,291)</b>	<b>(30,673)</b>
Balance at 1 January 2021	(23,733)	(649)	(6,291)	(30,673)
Amortisation charge	(13,139)	-	-	(13,139)
Disposals	6,670	-	-	6,670
Translation differences	712	49	-	761
<b>Balance at 31 December 2021</b>	<b>(29,490)</b>	<b>(600)</b>	<b>(6,291)</b>	<b>(36,381)</b>
<i>Net book value</i>				
<b>At 31 December 2020</b>	<b>29,954</b>	<b>1</b>	<b>23,061</b>	<b>53,016</b>
<b>At 31 December 2021</b>	<b>32,659</b>	<b>0</b>	<b>32,106</b>	<b>64,765</b>

Amortisation expense was charged as follows:

	<b>2021</b>	<b>2020</b>
	<b>'000 USD</b>	<b>'000 USD</b>
Cost of goods sold	289	321
Research and development	5,649	5,546
Distribution expenses	4,940	4,182
Administrative expenses	2,261	2,349
<b>Total amortization</b>	<b>13,139</b>	<b>12,398</b>

Goodwill balance of the Group was generated by acquisitions of cash generating units (CGUs) in America (acquired in 2011), Asia Pacific (acquired in 2010) Europe (acquired in 2020) and Russia (acquired in 2021). The Group bases recoverable amount of CGUs on value in use, which is calculated as a net present value of CGU's 5-year net cash flows. At the year end the Group has performed impairment review of the individual CGUs. Cash flow projections used for testing, were based on most recent budgets using the following growth assumptions:

<b>2021</b>	<b>Asia-Pacific</b>	<b>America</b>	<b>Europe</b>	<b>Russia</b>
Discount factor, p.a.	12.6%	10.82%	10.72%	25.6%
Sales growth rate, p.a.	1-2%	2.5%-5.3%	16%-80%	0%-399%
Expenses growth rate, p.a.	2%	2%	-7%- 6%	3% - 8900%
<b>2020</b>	<b>Asia-Pacific</b>	<b>America</b>	<b>Europe</b>	
Discount factor, p.a.	12.24%	10.46%	11.92%	
Sales growth rate, p.a.	2%	10%-20%	11%-59%	
Expenses growth rate, p.a.	2%	15%	10%- 45%	

None of CGUs demonstrated signs of impairment (recoverable amounts were higher than Goodwill).

## 15. Right-of-use assets and lease liabilities under long-term leases

Right-of-use assets movements for the period are as follows:

'000 USD	Cost	Accumulated depreciation	Net book value
<b>Initial recognition at 1 January 2020</b>	<b>32,402</b>	<b>(10,716)</b>	<b>21,686</b>
Additions	7,044	-	7,044
Disposals	(4,144)	-	(4,144)
Right-of-use assets reassessment	1,509	-	1,509
Depreciation charge	-	(9,632)	(9,632)
Disposal of depreciation	-	3,925	3,925
Translation differences	(914)	4	(910)
<b>Balance at 31 December 2020</b>	<b>35,897</b>	<b>(16,419)</b>	<b>19,478</b>
Additions	5,355	-	5,355
Disposals	(1,115)	-	(1,115)
Right-of-use assets reassessment	69	-	69
Depreciation charge	-	(10,919)	(10,919)
Disposal of depreciation	-	1,109	1,109
Translation differences	(1,333)	728	(605)
<b>Balance at 31 December 2021</b>	<b>38,873</b>	<b>(25,501)</b>	<b>13,372</b>

Liability movements for the period are as follows:

'000 USD	2021	2020
<b>Balance as at 1 January 2021</b>	<b>20,082</b>	<b>20,577</b>
Conclusion of new lease agreements	5,355	7,044
Lease payments	(11,784)	(9,888)
Lease interest	1,033	752
Lease reassessment	69	1,509
Lease disposal	(6)	(442)
Translation differences	(495)	530
<b>Balance at 31 December 2021</b>	<b>14,254</b>	<b>20,082</b>

'000 USD	2021	2020
<b>Long-term lease liabilities</b>	<b>5,685</b>	<b>10,960</b>
<b>Short-term lease liabilities</b>	<b>8,569</b>	<b>9,122</b>

## 16. Deferred tax assets and liabilities

### (a) Unrecognised deferred tax liabilities

Deferred tax liabilities of USD 75,012 thousand (2020: USD 95,938 thousand), relating to investments in subsidiaries have not been recognised as the Group is able to control the timing of reversal of the relevant differences, and reversal is not expected in the foreseeable future.

### (b) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

'000 USD	Assets		Liabilities	
	2021	2020	2021	2020
		Restated*		Restated*
Fixed assets and investment property	304	398	(10,150)	(8,398)
Intangible assets	204	118	(2,481)	(3,688)
Investments	883	615	-	-
Trade and other receivables	582	1,343	(220)	(408)
Contract liabilities	69,016	72,139	(175)	(13)
Trade and other payables	9,060	7,151	(1,247)	(1,817)
Right-of-use assets	-	-	(635)	(1,225)
Long-term lease liabilities	656	467	-	-
Tax loss carry-forwards	12,397	14,309	-	-
Other items	157	120	(365)	(157)
Tax assets/(liabilities)	93,259	96,660	(15,273)	(15,706)
Set off of tax	(4,986)	(7,305)	4,986	7,305
Net tax assets/(liabilities)	88,273	89,355	(10,287)	(8,401)

\*See note 35 for details regarding the restatement.

As at 31 December 2021 the Group did not raise deferred tax asset for tax losses of USD 2,903 thousand with no expiry date (2020: USD 3,563 thousand with no expiry date) as it might not have profits sufficient to use the losses in the foreseeable future.

**(c) Movement in temporary differences during the year**

'000 USD	1 January 2021 Restated*	Recognised in profit or loss	Translation difference	31 December 2021
Fixed assets and investment property	(8,000)	(1,826)	(20)	(9,846)
Intangible assets	(3,570)	1,048	245	(2,277)
Investments	615	273	(5)	883
Trade and other receivables	935	(507)	(66)	362
Contract liabilities	72,126	1,497	(4,782)	68,841
Trade and other payables	5,334	2,642	(163)	7,813
Right-of-use assets	(1,225)	551	39	(635)
Long-term lease liabilities	467	231	(42)	656
Tax loss carry-forwards	14,309	(1,208)	(704)	12,397
Other items	(37)	(149)	(22)	(208)
	<b>80,954</b>	<b>2,552</b>	<b>(5,520)</b>	<b>77,986</b>

\*See note 35 for details regarding the restatement.

'000 USD	1 January 2020 Restated*	Acquired in a business combination	Recognised in profit or loss Restated*	Translation difference Restated*	31 December 2020 Restated*
Fixed assets and investment property	(5,184)	-	(3,112)	296	(8,000)
Intangible assets	67	(3,758)	534	(413)	(3,570)
Investments	-	-	634	(19)	615
Trade and other receivables	(20,218)	-	21,404	(251)	935
Contract liabilities	99,889	-	(28,082)	319	72,126
Trade and other payables	23,993	-	(15,993)	(2,666)	5,334
Right-of-use assets	(44,499)	(14)	36,640	6,648	(1,225)
Long-term lease liabilities	39,074	-	(33,162)	(5,445)	467
Tax loss carry-forwards	5,799	7,674	(90)	926	14,309
Other items	173	-	(211)	1	(37)
	<b>99,094</b>	<b>3,902</b>	<b>(21,438)</b>	<b>(604)</b>	<b>80,954</b>

## 17. Inventories

	2021 '000 USD	2020 '000 USD
Software licenses held for resale	4,210	6,295
Product components and consumables	567	580
Finished goods and goods for resale	399	472
Provision for obsolescence	(4,359)	(6,491)
	<b>817</b>	<b>856</b>

Software licenses held for resale, which have not been sold by the date of preparation of these financial statements are fully provided for due to lack of evidence of their net realisable value.

\*See note 35 for details regarding the restatement.

## 18. Other investments

	2021	2020
	'000 USD	'000 USD
<b>Non-current</b>		
Financial assets measured at amortised cost:		
Loans to associate (Note 26)	68,642	-
Investments to associates	13	13
Loans to 3rd parties	79	-
Sublease	331	938
	<b>69,065</b>	<b>951</b>
<b>Current</b>		
Financial assets measured at amortised cost:		
Loans to related parties (Note 26)	-	964
Loans to associate (Note 26)	-	47,872
Loans to 3rd parties	-	13,188
Repurchase agreements	13,188	-
Sublease	690	694
	<b>13,878</b>	<b>62,718</b>
Financial assets designated at fair value through profit and loss:		
Corporate debt securities	73,760	39,463
Equity securities	31,955	13,959
Commodities and other alternative investments	8,489	2,373
	<b>114,204</b>	<b>55,795</b>
	<b>128,082</b>	<b>118,513</b>

Corporate debt securities classified at fair value through profit and loss account have stated interest rate of 1.25% to 10.125% and mature in two month to twenty-six years.

Equity securities have been designated as at fair value through profit and loss account because they are managed on a fair value basis and their performance is actively monitored.

The fair value of investments designated at fair value through profit and loss account, with a carrying amount of USD 114,204 thousand (2020 USD 55,795 thousand), was determined by reference to their quoted market prices; these investments are listed on the Moscow and major European stock exchanges (including London and Frankfurt stock exchanges). It is Level 1 fair value under IFRS 13 *Fair value measurement*. Accumulated interest on debt securities, included in the carrying amount as at the reporting date was USD 910 thousand (2020: USD 171 thousand).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 23.

## 19. Trade and other receivables

	2021 '000 USD	2020 '000 USD
Trade receivables from third parties	215,603	190,839
Contract asset	6,605	4,722
<b>Total trade receivables from third parties</b>	<b>222,208</b>	<b>195,561</b>
Provision for bad and doubtful debts	(11,013)	(14,672)
<b>Net trade receivables from third parties</b>	<b>211,195</b>	<b>180,889</b>
Prepayments	10,752	19,433
Input VAT	15,389	9,170
Other receivables	6,490	3,423
Other assets	1,306	4,030
Deferred expenses	3,417	3,392
Office lease deposits	2,069	2,438
Prepaid taxes (other than corporate profit taxes)	1,387	1,019
	<b>252,005</b>	<b>223,794</b>

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 23.

## 20. Cash and cash equivalents

	2021 '000 USD	2020 '000 USD
Petty cash	1	6
Bank balances	99,050	139,067
Call deposits	43,814	45,023
<b>Cash and cash equivalents</b>	<b>142,865</b>	<b>184,096</b>

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 23.



## 21. Capital and reserves

### (a) Share capital

*Number of shares unless otherwise stated*

	Ordinary shares	
	2021	2020
Authorised shares	110,000,000	110,000,000
	USD 0.0000135	USD 0.0000135
Par value	(equivalent of 0.00001 GBP)	(equivalent of 0.00001 GBP)
Shares authorised, not issued at the beginning of the year	45,042,750	45,042,750
In issue at 31 December, fully paid	<b>64,957,250</b>	<b>64,957,250</b>

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.

### (b) Acquisition of own shares

In 2021 the Group did not acquire any of its own shares (2020: did not acquire its own shares).

### (c) Dividends

In 2021 the Group declared dividends of USD 11,000 thousand (2020: declared no dividends).

### (d) Additional paid in capital

The additional paid in capital reserve is used to record the value of own shares acquired in excess of par value.

### (e) Translation reserve

This reserve records the gains and losses recognized on retranslation.

### (f) Retained earnings

Retained earnings is used to record the accumulated distributable profits and losses realized during the course of the year and prior years.

## 22. Trade and other payables

	2021	2020
	'000 USD	'000 USD
<b>Current:</b>		
Accrued expenses	109,037	73,750
Payables to employees	72,126	50,449
Trade payables to third parties	24,046	32,042
Provision for sales returns	1,869	4,339
Social taxes payable	6,616	7,488
Other taxes payable	32,649	20,273
Trade advances received	2,554	1,284
Other payables	1,057	880
	<b>249,954</b>	<b>190,505</b>

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 23.

## 23. Fair values and risk management

### (a) Accounting classifications and fair values

The values of the Group's financial instruments approximate their fair values.

### (b) 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 Board of Directors has the overall responsibility for establishing and overseeing the Group's risk management framework. Day-to-day risk management functions are carried out by the management of the Group.

The Group's risk management policies and procedures are established to identify and analyse the risks faced by the Group to set appropriate risk limits, and controls.

The Group's risk management policies are in the process of being formalised. The Group's Management carries out day-to-day monitoring of risks based on analysis of management reports regularly prepared by the financial department containing a wide range of data on various aspects of the Group's activities.

The Group, through its training and managerial standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**(c) 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 and investments. Management consider the amount of impairment loss reflected as a result of the credit risk to be an area of a significant judgement.

**(i) Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, as well as the default risk of the industries and countries in which customers operate. There is no significant concentration of credit risk.

The Credit manager, together with the sales administration department and client service departments, monitors the balances due from individual customers. If there are significant past due amounts, transactions with the customer are suspended until the receivable has been reduced to a satisfactory level. The Group does not require collateral in respect of trade and other receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade and other receivables. To measure expected credit losses on a collective basis, trade and other receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the Group's historical credit losses experienced over a six-year period prior to the year ended. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

**(ii) Investments**

The Group limits its exposure to credit risk mainly by placing deposits with banks with good credit rating and by investing in securities with high credit ratings (from AA- to B+, with majority being higher BBB-). Given this, Management does not consider that the Group incurs significant credit risk in relation to these investments.

As part of its strategic partnerships the Group issues loans to its associate, refer to note 26(c), which creates a significant concentration of credit risk of USD 98,060 thousand (2020: USD 68,388 thousand) with this associate. The credit risk associated with loans issued by the Group is controlled by closely monitoring on a regular basis financial and non-financial information on the debtor's activity.

**(iii) Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<b>Carrying amount</b>	
	<b>2021</b>	<b>2020</b>
	<b>'000 USD</b>	<b>'000 USD</b>
Receivables and other investments	385,061	327,372
Cash and cash equivalents	142,865	184,096
	<b>527,926</b>	<b>511,468</b>

Most of the balance of the exposure of credit risk is made of trade accounts receivable and loans receivable, which are described below.

**Investments**

As at the reporting date a provision of USD 29,418 thousand was raised against the loans to one of the Group's associates (refer to note 26(c)). Provision for loans to third parties amounted to USD 28,883 thousand. The amount of the provision represents the expected credit losses in connection with these loans.

**Sensitivity analysis**

The provision made for the expected credit loss from loans to an associate has been determined as the probability-weighted estimate of the cash shortfalls on the loans discounted at the original effective interest rate of 8%. Cash shortfalls are the difference between the cash flows receivable on the loans and the estimated future cash flows expected to be received. Future cash flows receivable are estimated by reference to the ability of the associate counterparty to generate cash flows available to settle the loans' obligations. These in turn depend on assumptions about revenue and costs forecasts for the associate's main business, for which historical data provides just a partial indication, as the company is launching a radically new product that will drive its future performance. As a result, the future ability of the associate counterparty to generate available cash flows may vary significantly due to the nature and risks of its main business and this would result in corresponding adjustment to the expected credit loss on the loans. A 10% increase or 10% decrease of the probability-weighted revenues forecast in the estimated cashflows would have the following impact, this analysis assumes that all other variables, in particular interest rates, remain constant:

	<b>Equity</b>	<b>Profit or (loss)</b>
	<b>'000 USD</b>	<b>'000 USD</b>
10% increase in revenue	28,535	28,791
10% decrease in revenue	(11,830)	(11,936)

The percentage applied to the sensitivity analysis of the revenues forecast is based on management's estimated reasonable range of expected outcomes.

### Trade receivables

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	<b>Carrying amount</b>	
<b>'000 USD</b>	<b>2021</b>	<b>2020</b>
	<b>'000 USD</b>	<b>'000 USD</b>
Europe	58,242	54,712
CIS and Baltic	91,999	63,418
North America	15,627	26,752
Middle East and Africa	25,466	20,263
Far East and Pacific	9,876	9,234
South America	9,985	6,510
	<b>211,195</b>	<b>180,889</b>

### Impairment losses

	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
<b>'000 USD</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>
Current receivables	200,522	-	172,768	-
Overdue not more than 60 days	2,664	(170)	3,053	(39)
Overdue not more than 120 days	846	(48)	352	(79)
Overdue not more than 365 days	393	(164)	436	(324)
Overdue more than 365 days	11,178	(10,631)	14,230	(14,230)
	<b>215,603</b>	<b>(11,013)</b>	<b>190,839</b>	<b>(14,672)</b>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2021	2020
	'000 USD	'000 USD
Balance at beginning of the year	14,672	18,688
Bad debt recovered (net)	(948)	(1,425)
Write-off	(2,423)	(2,576)
Translation difference	(288)	(15)
Balance at the end of the year	<b>11,013</b>	<b>14,672</b>

The Group establishes an allowance for impairment losses that represents its estimate of lifetime expected losses in respect of trade receivables. The main component of this allowance is the specific loss component relating to individually significant exposures. Doubtful accounts receivable are analysed individually based on debtors days (2021: 4% for 0-30 days; 3% for 31-60 days, 8% for 61-90 days, 11% for 91-120 days, 11% for 121-150 days, 11% for 151-180 days, 21% for 181-365 days, 66% for more than 365 days; 2020: 0% for 0-30 days; 0% for 31-60 days, 15% for 61-90 days, 40% for 91-120 days, 40% for 121-150 days, 40% for 151-180 days, 100% for 181-365 days, 100% for more than 365 days), and then on a case by case basis. Special attention is paid to receivables with balances past due by more than 60 days. The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. In estimating lifetime expected losses in respect of trade receivables the Group considers forward-looking information, including macroeconomic information. No significant changes made to the assumptions used in the period.

**(d) 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.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted such as a natural disaster.

The Group's financial liabilities consist of non-interest bearing trade and other payables most of which are due within six months of the reporting date.

The following are the contractual maturities of financial liabilities, including estimated interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts:

**31 December 2021**

'000 USD	Carrying amount	Contract cash flows	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years
Trade and other payables	211,416	211,423	208,748	2,639	36	-	-	-
Lease payables	14,254	14,254	8,569	5,318	343	24	-	-
	<b>225,670</b>	<b>225,677</b>	<b>217,317</b>	<b>7,957</b>	<b>379</b>	<b>24</b>	<b>-</b>	<b>-</b>

**31 December 2020**

'000 USD	Carrying amount	Contract cash flows	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years
Trade and other payables	164,278	164,352	160,324	3,992	-	36	-	-
Lease payables	20,082	20,082	8,917	10,309	544	108	-	-
	<b>184,360</b>	<b>184,434</b>	<b>169,241</b>	<b>14,301</b>	<b>544</b>	<b>144</b>	<b>-</b>	<b>-</b>

**(e) 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.

**(f) Currency risk**

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Russian Rouble (RUB), U.S. Dollars (USD) and EUR. The currencies in which these transactions are primarily denominated are Sterling (GBP), USD, EUR, RUB, Singapore Dollars (SGD) and Brazilian Reals (BRL).

The Group does not use foreign exchange hedges to manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities. Foreign currency hedging is not used by the Group partially as the current structure of the Group's operations provides a natural cash flow hedge, in the sense that expected cash outflows in a currency do not exceed expected inflows in that currency.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

**Exposure to currency risk**

The Group's exposure to foreign currency risk was as follows based on notional amounts:

'000 USD	GBP- denominated	USD- denominated	EUR- denominated	RUB- denominated	SGD- denominated	BRL- denominated
	2021	2021	2021	2021	2021	2021
<b>Current assets</b>						
Receivables	2,985	100,233	69,619	331	7,600	3,932
Cash and cash equivalents	1,693	20,429	976	108	745	-
Investments	227	498,882	4,633	27,664	-	-
Net investment in sublease	690	-	-	-	-	-
<b>Non-current assets</b>						
Investments	-	1,500	2,635	-	-	-
Net investment in sublease	331	-	-	-	-	-
<b>Current liabilities</b>						
Payables	-	(48,118)	-	(764)	(3,082)	(3,627)
Loans and borrowings	-	(35,421)	-	-	(4,351)	-
Lease payables	(1,202)	(2,939)	-	-	-	-
<b>Non-current liabilities</b>						
Loans and borrowings	-	-	-	-	-	-
Lease payables	(714)	-	-	-	-	-
	<b>4,010</b>	<b>534,566</b>	<b>77,863</b>	<b>27,339</b>	<b>912</b>	<b>305</b>



'000 USD	GBP- denominated 2020	USD- denominated 2020	EUR- denominated 2020	RUB- denominated 2020	SGD- denominated 2020	BRL- denominated 2020
<b>Current assets</b>						
Receivables	4,135	227,128	104,116	529	11,983	3,749
Cash and cash equivalents	2,762	21,123	29	-	11,208	-
Investments	215	528,017	76,698	44,773	-	-
Net investment in sublease	694	-	-	-	-	-
<b>Non-current assets</b>						
Investments	-	1,500	2,635	-	-	-
Net investment in sublease	939	-	-	-	-	-
<b>Current liabilities</b>						
Payables	-	(124,114)	-	(36)	(16)	-
Loans and borrowings	-	(43,597)	-	-	(6,002)	-
Lease payables	(1,208)	(2,892)	-	-	-	-
<b>Non - current liabilities</b>						
Loans and borrowings	-	(2,160)	-	-	-	-
Lease payables	(1,866)	(2,122)	-	-	-	-
	<b>5,671</b>	<b>602,883</b>	<b>183,477</b>	<b>45,266</b>	<b>17,173</b>	<b>3,749</b>

The following significant exchange rates applied during the year:

in USD	Average rate		Reporting date spot rate	
	2021	2020	2021	2020
RUB	0.0136	0.0139	0.0135	0.0135
EUR	1.1838	1.1412	1.1316	1.2275
GBP	1.3760	1.2834	1.3468	1.3542

Some of the Group's subsidiaries applied exchange rates different from those stated above in case if these rates did not reflect the rates of conversion prevailing on the local markets, at which the respective balances could have been settled.

### ***Sensitivity analysis***

A 20% strengthening of the USD against the following currencies at 31 December would have increased/(decreased) equity and profit/(loss) net of taxes expressed in the Group's presentational currency by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2020.

	<b>Equity</b>	<b>Profit or (loss)</b>
	<b>'000 USD</b>	<b>'000 USD</b>
<b>2021</b>		
EUR	39,343	79,544
RUB	(76,842)	2,242

	<b>Equity</b>	<b>Profit or (loss)</b>
	<b>'000 USD</b>	<b>'000 USD</b>
<b>2020</b>		
EUR	32,209	72,147
RUB	(88,027)	22,327

A 20% weakening of the USD against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### **(g) Interest rate risk**

The Group's interest rate risk arises from call deposits and other investments. Deposits and investments mostly represent fixed rate financial assets, changes in interest rate impact primarily their fair values. 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 making an investment, Management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

#### **(i) Profile**

At the reporting date the Group did not have any variable interest rate financial instruments.

#### **(ii) Fair value sensitivity analysis for fixed rate instruments**

The Group has classified some of the fixed rate financial assets as fair value through profit or loss. The fair value of these assets at reporting date was USD 73,760 thousand (2020: USD 39,463 thousand).

An increase of 100 basis points in interest rates would have decreased profit and equity by USD 2,816 thousand net of tax (2020: 1,484 thousand net of tax ). A decrease of 100 basis points would have had an equal but opposite effect.

**(iii) Fair values versus carrying amounts**

Management believes that the fair value of the Group's financial assets and liabilities approximates their carrying amounts.

**(h) Capital management**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the Group's net debt to capital ratio and the level of distribution to shareholders of the Company.

The Group determines the appropriate capital structure based on the risk of investment in a product or market and reassesses its capital structure at the time of making a new investment decision, or when economic conditions or risk characteristics of an underlying product or market change. In order to maintain or adjust the capital structure, the Group may adjust the return capital to shareholders, issue new shares and adjust the working capital.

There were no changes in the Group's approach to capital management during the year.

## **24. Operating leases**

Non-cancellable operating lease rentals are receivable as follows:

'000 USD	2021	2020
Less than one year	4,914	3,274
Between one and five years	675	4,182
	<b>5,589</b>	<b>7,456</b>

During the current year USD 4,998 thousand was recognised in the consolidated statement of profit and loss account and other comprehensive income in respect of operating lease income (2020: USD 3,866 thousand).

## **25. Contingencies**

**(a) Litigation**

As at the reporting date the Group was not involved in any litigation, which would give rise to material contingent liabilities.

**(b) Taxation contingencies**

The past few years have seen a shift in the approach taken by tax authorities in numerous territories around the world, including the UK, Russia and the US. Governments have been increasing their investment in resource with a view to maximising domestic tax revenues. The Group always seeks to comply with relevant legislation and treaties but inevitably there can be differences in interpretation of grey areas and the chances of successful challenge have increased.

Against this background, the position is exacerbated in the Russian Federation where some of the Group's significant subsidiaries operate. The taxation system in the Russian Federation is still relatively new and is characterised by frequent changes in legislation, official pronouncements and

court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation, focusing more on the economic substance and not only the legal form of business transactions.

Transfer pricing legislation enacted in the Russian Federation provides for local transfer pricing rules close to OECD guidelines, but not identical, creating additional uncertainty in practical application of tax legislation in certain circumstances.

These transfer pricing rules provide for an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe the basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

The transfer pricing rules apply to cross-border transactions between related parties provided that the accumulated annual volume of the transactions between the same parties exceeds a threshold RUB 60 million, an equivalent of USD 807.6 thousand as at 31 December 2021, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code. The rules do not apply to in-country transactions between related parties unless (i) certain conditions are met and (ii) the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB 1 billion, an equivalent of USD 13 460 thousand as at 31 December 2021).

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. These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries.

The Group has a number of transactions concluded between the companies of the Group, which are subject to the transfer pricing control in Russia. The Group notifies the Russian tax authorities about all these transactions as required in the Russian Tax Code.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing a different interpretation, could be significant. The Group does not exclude the possibility that the Russian tax authorities may take a different position from the Group. In this case, the Group is ready to justify its current methodology.

## **26. Related party transactions**

### **(a) Control relationships**

The party with ultimate control over the Company is Eugene Kaspersky.

**(b) Transactions with management and close family members**

Shareholders who hold in aggregate 100% of the Company's ordinary shares (2020: 100%) are part of the Group's Key Management Personnel, which comprise the Group's Directors and heads of significant functions.

**(i) Management remuneration**

Key management received the following remuneration during the year, which is included in personnel costs (see Note 8):

	2021 '000 USD	2020 '000 USD
Salaries and bonuses	45,274	15,577
Payroll taxes	82	408
	<b>45,356</b>	<b>15,985</b>

**(c) Transactions with other related parties**

During 2021 the Group granted to an associate Rouble-denominated loans of USD 24,418 thousand (2020: USD 17,212 thousand). The balance of the loans as at 31 December 2021 amounts to USD 98,060 thousand (2020: USD 68,388 thousand). A provision for expected credit losses was raised in respect of these loans for USD 29,418 thousand (2020: USD 20,516 thousand). As a result, the net carrying value of the loans as at 31 December 2021 amounts to USD 68,642 thousand (2020: USD 47,872 thousand). The original maturity of the loans was March 2020 and the annual rate is fixed at 12%. In March 2020 the maturity was rescheduled to March 2021. The annual interest rate was changed to 8%. In February 2021, a decision was made to prolong this loan until 31 March 2022. In March 2022, the maturity was rescheduled to March 2024.

**(d) Pricing policies**

Related party transactions are based on the Group's estimates of market prices in material respects.

## 27. Subsidiaries

	Registered office address	2021 Ownership/ voting	2020 Ownership/ Voting
JSC Kaspersky Lab	39A/3 Leningradskoe shosse, Moscow, 125212, Russia	100%	100%
JSC VSSI, real estate company	39A/3 Leningradskoe shosse, Moscow, 125212, Russia	100%	100%
Kaspersky Lab UK Limited	2 Kingdom Street, Paddington Basin, London, W2 6BD, United Kingdom	100%	100%
Kaspersky Lab Inc	500 Unicorn Park Dr., Ste 300, Woburn MA 01801, USA	100%	100%

		2021	2020
	Registered office address	Ownership/ voting	Ownership/ Voting
Kaspersky Labs GmbH	Despag-Straße 3, 85055 Ingolstadt, Germany	100%	100%
Kaspersky Lab France EURL	2 rue Joseph Monier, Immeuble Européen - Bat C, 92500 Rueil Malmaison, France	100%	100%
Kaspersky Labs Asia Ltd	Unit 05-115, 5/F, The Quayside, 77 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong	100%	100%
KK Kaspersky Labs Japan	7F Sumitomo Fudousan Akihabara bldg., 3-12-8 Sotokanda, Chiyoda-ku, Japan	100%	100%
KL Anti-Virus Solutions	Av.Rio Churobusco no.601 Piso 9, Colonia Xoco, Mexico D.F. C.P. 03330, CDMX México	100%	100%
JSC Kaspersky Group	39A Blg.2, Leningradskoe Shosse, 125212, Moscow, Russia	100%	100%
Kaspersky Lab ME FZ-LLC	Premises 2201, 2203&2205, Floor 22 Arenco Tower, Dubai, United Arab Emirates	100%	100%
Kaspersky Info Systems SRL	Bucharest, Iride Business Park, Building no. 24, first floor, 9-9A Dimitrie Pompei Blvd., sector 2, Romania	100%	100%
Kaspersky Lab Czech Republic S.R.O.	Sokolovská 100/94, Postal Code: 186 00, Praha 8, Czech Republic	100%	100%
Kaspersky Lab South Africa (Pty) Limited	Republic of South Africa, Building 15 Thornhill Office park 94 Bakker Road Midrand Gauteng 1684 South Africa	100%	100%
Kaspersky Bilisim Hizmetleri San. Ve Tic Ltd	Barbaros Mah. Begonia Sk. Nidacule Ataşehir, Bati no: 1 IC KAPI No: 2 Atasşehir Istanbul, Türkiye	100%	100%
Kaspersky Lab KZ	Almaty, Kazylbek Bi 20A, office 309, Kazakhstan	100%	100%

		2021	2020
	Registered office address	Ownership/ voting	Ownership/ voting
Kaspersky Lab Israel Ltd	The Technology Garden – Malha, Agudat Sport Hapoel St. 2, Tower building floor 11, P.B. 89, Jerusalem 9695102,	100%	100%
Kaspersky Lab Denmark Aps	Sundkrogsgade 21, 2100 Copenhagen, Denmark	100%	100%
Kaspersky Lab S.L.U.	Paseo Club Deportivo, nº1, Edificio 11, Planta 1, Izquierda 1, Parque Empresarial La Finca, Somosaguas, Pozuelo de Alarcón, Madrid, 28223, Spain	100%	100%
Kaspersky Lab Italia S.r.l.	Francesco Benaglia 13, 00153 Rome, Italy	100%	100%
Kaspersky Lab B.V.	Rijnzathe 8, 3454PV De Meern, VAT Netherlands	100%	100%
Kaspersky Lab Unipessoal LDA	Avenida dos Oceanos, nr. 142, 0º B, 1990-502 Parque das Nações, in the parish of Parque	100%	100%
Kaspersky Lab Switzerland GmbH	Bahnhofstrasse 100, CH-8001 Zürich, Switzerland	100%	100%
Kaspersky Security Solutions Ireland Limited	572093, 32 Molesworth Street, Dublin 2, Ireland	100%	100%
Threatpost, Inc	500 Unicorn Park Drive, Woburn, MA, 01801, USA	100%	100%
Kaspersky Lab Soluções Seguras Brasil LTDA	City of São Paulo, State of São Paulo, at Avenida Queiroz Filho, 1700, tower A, rooms 801, 802, 803 and 804, Vila Hamburguesa, 05319-000, Brazil	100%	100%
Kaspersky Technology Development (Beijing) Co Ltd	1# Qing Long Bystreet, Dongcheng District, Beijing 100007, China	100%	100%
Kaspersky Lab Australia and New Zealand Pty Ltd	Level 2, 19 Shierlaw avenue, Canterbury Vic 3126, Australia	100%	100%
Kaspersky Lab India Private Limited	1801, 18 <sup>th</sup> Floor, Cyber One , Opp, CIDCO Exhibition Centre, Plot No 4&6, Sector 30 A, Vashi, Navi Mumbai, Maharashtra, 400703, India	100%	100%

		<b>2021</b>	<b>2020</b>
	<b>Registered office address</b>	<b>Ownership/ voting</b>	<b>Ownership/ voting</b>
Kaspersky Lab SEA SDN. BHD.	Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia	100%	100%
Kaspersky Lab Korea Ltd	Sun Tower Building 5F, 42, Seolleung-ro 90-gil, Gangnam-gu, Seoul, Korea	100%	100%
Kaspersky Lab Singapore Pte Ltd	2 Shenton Way 18-01, SGX Center 1, Singapore, 068804	100%	100%
Kaspersky Lab Canada Limited	750 – 1055 West Georgia Street, Vancouver, BC V6E 3P3	100%	100%
Kaspersky Lab BLR LLC	Republic of Belarus, 220030, Minsk, Internatsionalnaya Street, 20A	100%	100%
Kaspersky Lab Rwanda Ltd	Kacyiru, Gasabo, Umujiyi wa Kigali, Rwanda	100%	100%
BPI Bureau de Promotion Immobilière SA, holding company	Rue du Nant 8, c/o Berney et Associés SA Société Fiduciaire, 1207 Genève, Switzerland	100%	100%
Nexway Group AG, holding company	Gerbergasse 48 4051 Basel, Switzerland	100%	100%
Nexway LLC, e-commerce and payment solutions provider	39A/3 Leningradskoe shosse, Moscow, 125212, Russia	90%	-
B4N Group Limited, holding company	Gladstonos, 116, M. Kyprianou House, 3 & 4 floor, 3032, Limassol, Cyprus	82.21%	-
Programmiruemie seti LLC	07076, Moscow, Matrosskaya Tishina str, 23/7, 1, floor 2, 14, room 10	82.21%	-



		<b>2021</b>	<b>2020</b>
	<b>Registered office address</b>	<b>Ownership/ voting</b>	<b>Ownership/ voting</b>
NPO AproTech LLC	39A/3 Leningradskoe shosse, Moscow, 125212, Russia	100%	-
Shield Mode LLC	39A/3 Leningradskoe shosse, Moscow, 125212, Russia	100%	-

Unless specifically indicated above, the subsidiaries of the Group operate in IT security software solutions development and distribution.

## 28. Non-controlling interests

The following table summarises the information relating to the Group's subsidiaries that have material non-controlling interests (NCI), before intra-group eliminations.

<b>'000 USD</b>	<b>B4N group limited</b>
<b>NCI percentage</b>	<b>17.8%</b>
Non-current assets	3,155
Current assets	221
Non-current liabilities	-
Current liabilities	(1,774)
<b>Net assets</b>	<b>1,602</b>
Carrying amount of NCI	285
Revenue	19
Loss	(250)
Other comprehensive loss	(35)
<b>Total comprehensive loss</b>	<b>(285)</b>
Loss allocated to NCI	(44)
Other comprehensive loss allocated to NCI	(7)
Cash flows from operating activities	(507)
Cash flows from financing activities	665
<b>Net increase in cash and cash equivalents</b>	<b>158</b>

## 29. Financial instruments

The group holds the following financial instruments:

	2021 '000 USD	2020 '000 USD
<b>Financial assets</b>		
Financial assets at amortised cost:	457,256	424,487
Financial assets at fair value through profit or loss	114,204	55,795
<b>Total financial assets</b>	<b>571,460</b>	<b>480,282</b>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost:	226,660	185,225
Financial liabilities at fair value through profit or loss	-	-
<b>Total financial liabilities</b>	<b>226,660</b>	<b>185,225</b>

## 30. Acquisition of B4N Group limited

In October, 2021 the Group acquired 81.21% ownership in B4N Group limited, located in Cyprus from third parties for a cash consideration. The acquisition was made to strengthen the Group's position in network security solutions. There are no contingent parts of the consideration.

The purchase was recorded using the acquisition method.

Revenue and net loss of B4N Group since the date of acquisition of USD 19 thousand and USD 250 thousand, respectively, have been included in consolidated financial statements.

**Fair value of assets and liabilities relating B4N Group limited as at the date of the acquisition**

	<b>'000 USD</b>
<b>Assets</b>	
Fixed assets	41
Intangible assets	3,149
<b>Non-current assets</b>	<u>3,190</u>
Trade receivables from 3rd parties	69
<b>Current assets</b>	<u>69</u>
<b>Total assets</b>	<u><u>3,259</u></u>
<b>Equity and liabilities</b>	
<b>Equity</b>	<u>(1,890)</u>
Long-term loans and borrowings	(970)
<b>Non-current liabilities</b>	<u>(970)</u>
Accounts payable	(36)
Other Liabilities	(241)
Accruals	(121)
Profit (income) taxes payable	(1)
<b>Current liabilities</b>	<u>(399)</u>
<b>Total Equity and liabilities</b>	<u><u>(3,259)</u></u>

### **31. Events subsequent to the reporting date**

#### **Acquisition of shares in LLC New Cloud Technologies**

In 2019 and 2020 the Group acquired an aggregate share of 47% in LLC New Cloud Technologies, a company that develops office software, based in Russia, which is considered the principle place of business. In February 2022, the Group increased its shareholding in New Cloud Technologies Ltd ("NCT") from 47% to 61.05% for a cash consideration.

In February 2022, the Group entered into an option agreement to purchase an additional 1.75% share in NCT for a cash consideration.

As at the date of these Financial Statements the accounting for the acquisition has not been finalised, due to which some of disclosures required under par. B64 of IFRS 3 Business Combinations, cannot be made in these Financial Statements. These disclosures include the amounts that will be recognised as of the acquisition date for each major class of assets acquired and liabilities assumed, a description of the factors that make up the goodwill recognized, if any, etc.

#### **Dividends**

Subsequent to the reporting date the Group declared dividends of USD 13,600 thousand.

#### **Acquisition of own shares**

Subsequent to the reporting date the Company acquired and cancelled 5,040,000 its own shares for a cash consideration of USD 40,000 thousand. The Company committed to acquire additional 1,260,000 its own shares for a cash consideration of USD 10,000 thousand by the end of 2022.

#### **Disposal of a subsidiary**

On 28 September 2022 the Group disposed of BPI Bureau de Promotion Immobilière SA., which is a parent company of Nexway Group AG, e-commerce and payment solutions provider. The financial effect of the disposal has not yet been established, because assets and liabilities of the disposed of entities as at the date of the disposal have not been calculated as at the date of issuance of these consolidated financial statements. Management estimate that this effect is immaterial.

### **32. Financial commitments**

The group has financial commitments totalling USD 14,007 thousand (2020: USD 16,828 thousand) for sponsorship fees, service agreements and other arrangements of which USD 5,444 thousand is expected to be expensed in the year ended 31 December 2022 (2020: USD 16,547 thousand in the year ended 31 December 2021), the remaining USD 8,563 thousand being expected to be expensed in 2023-2025 years (2020: USD 281 thousand in the year ended 31 December 2022).

### **33. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

#### **(a) Basis of consolidation**

##### **(i) Accounting for 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. Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

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 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 the profit and loss account.

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

Costs related to the acquisition, 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 payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the profit and loss account.

**(ii)      *Accounting for acquisitions of non-controlling interests***

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

**(iii)      *Subsidiaries***

Subsidiaries are entities controlled by the Group. 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 company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position,

the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

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)      *Loss of control***

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**(v)      *Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. 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 respective functional currencies of 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 in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising in retranslation are recognised in the profit and loss account.

**(ii)     *Foreign operations***

The assets and liabilities of all Group entities, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rate at the reporting date. The income and expenses of foreign operations are translated to the presentation currency 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 the 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 the profit and loss account 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 the profit and loss account.

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 a 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**

The Group's accounting policies in respect of financial instrument transactions are explained below:

**(i) Financial assets**

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

**(ii) Fair value through profit or loss**

All of the Group's financial assets other than those which meet the criteria to be measured at amortised cost are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

**(iii) Debt instruments at amortised cost**

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

The Group provides for financial assets held at amortised cost using a lifetime expected credit loss model.

**(iv) Cash at bank and in hand**

Cash at bank and in hand includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less from inception.

**(v) Financial liabilities**

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

**(d) Share capital**

*Ordinary shares*

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

*Repurchase, disposal and reissue of share capital (treasury shares)*

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

**(e) Property, plant and equipment**

**(i) Recognition and measurement**

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When 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.

The 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 the profit and loss account.

**(ii) Subsequent costs**

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 the profit and loss account as incurred.

**(iii) Depreciation**

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in the profit and loss account 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

- |   |               |
|---|---------------|
| • buildings and constructions not in progress | 30 years      |
| • building sub-systems and equipment          | 10 - 15 years |
| • computer and other equipment                | 3 - 5 years   |
| • fixtures and fittings                       | 5 years       |

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

**(f) Intangible assets**

**(i) Goodwill**

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 33 (a)(i).

*Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

**(ii) Patents**

Patents acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

**(iii) Research and development costs**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit and loss account when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic

benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. This occurs when a product satisfies product trials in a live customer environment to establish technical and commercial feasibility. The capitalised expenditure includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Development expenditure incurred on minor or major upgrades and updates or other changes in software functionality does not meet the criteria for capitalisation, as the product is not substantially new in its design or functional characteristics. Such expenditure is, therefore, recognised as expense in the profit and loss account as incurred.

The Group has not capitalised any development costs as the qualifying amounts are not significant. On the basis that a development project meets the technical and commercial feasibility requirements at the end of its development, subsequent costs that qualify for capitalisation are not material to the consolidated financial statements.

**(iv) Other intangible assets**

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

**(v) 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 the profit or loss as incurred.

**(vi) Amortisation**

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of intangible 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 the current and comparative periods are as follows:

- patents - 2 years
- other - 1 to 5 years

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

**(g) Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the profit and loss account.

When the use of a property changes such that it is reclassified as property, plant and equipment, its cost, accumulated depreciation and impairment losses at the date of reclassification become its cost, accumulated depreciation and impairment losses for subsequent accounting.

Investment property includes buildings, equipment installed and fittings such as elevators, air conditioning and other communications installed.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. Subsequent expenditure includes further development of infrastructure and capital improvements. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

## **(h) Leases**

### ***(i) Leases in which the Group is a lessee***

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset;
- (b) The Group obtains substantially all the economic benefits from use of the asset; and
- (c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

**(ii) Lease Measurement**

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability

is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

**(i) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

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

**(j) Contract liability**

Contract liabilities represent the monetary value of products and services sold and delivered to the customers, which was not recognized as revenues as at the reporting date because not all of the revenue recognition criteria are not yet met (refer to Note 33 (n) for the Group's revenue recognition policy). Contract liabilities will be recognised as revenue in future periods, when all performance obligations have been met. Contract liabilities balance as at a reporting date is calculated as the difference between the cumulative monetary amounts of invoices issued to the partners and customers and revenues recognised to date.

**(k) Impairment**

**(i) Financial assets**

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

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise or indications that a debtor will enter bankruptcy.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the profit and loss account and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit and loss account.

**(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and 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. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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. 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. 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.

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) Employee benefits**

**(i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further

amounts. Obligations for contributions to defined contribution pension plans, including state pension funds, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

**(ii) Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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.

**(m) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**(i) Restructuring**

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

**(ii) Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

**(n) Revenue**

Revenue from the sale of licences and provision of services is recognised based on the five-step model where the contract has been identified with the customer, the performance obligation in the contract has been identified, the transaction price has been identified and allocated to the performance obligation, revenue is then recognized as the performance obligation is satisfied over time. Payment is due after an order has been placed; satisfaction of the performance obligation is carried out over time and as payment is received before all performance obligations have been satisfied, an element of revenue equal to the unsatisfied performance obligation is deferred. Revenue is measured at fair value of the consideration received or receivable, net of returns, vendor and end-user discounts and taxes. The following specific criteria are also applied.

**(i) Licence fees**

Revenue from the sale of licences is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of licences can be estimated reliably, and there is no continuing management involvement with the licences, and the amount of revenue can be measured reliably. Revenue is measured at fair value of the consideration received or receivable, net of returns, vendor and end-user discounts and taxes. The following specific criteria are also applied.

*Licence agreements with end customers and resellers*

Licence agreements with end-users and resellers involve the sale of a licence for multiple products and services: a software licence for a fixed period of time together with regular updates, upgrades of the software and other services under a fixed licence term. The portion of the revenue corresponding to each element of the arrangement cannot be identified and measured reliably, and the entire amount of revenue under a multiple element arrangement is recognised rateably over the duration of the licence, starting from the time of the delivery of the licence as the performance obligation is considered to be met over time.

The Group offers the right of return of its products under various policies and programs with its distributors, resellers, and end-user customers. The Group estimates and recognizes provisions for estimated product returns as deduction from revenue.

*Licence agreements with technology partners*

Licence agreements with technology partners involve the sale of a licence for the use of the Group's software in a licensee's products together with regular updates, upgrades of the software and other services over a fixed term. Revenue is recognised rateably over the duration of the term specified in the licence agreement as performance obligations are met, upon sale of the technology partner's products as reported by the partner.

**(ii) Services**

Revenue from cyber security services rendered is recognised in the profit and loss account as the related performance obligations are met.

**(o) Cost of sales**

Cost of sales include expenses incurred in conducting the Group's main activities, including the cost of inventories sold, expenses related to geographical localisation of the Group's products, the cost of providing technical support and relevant overheads.

**(p) Other expenses**

**(i) Leases**

Leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

Expenses under leases of low value assets and leases with a duration of 12 months or less are recognised in the profit and loss account as incurred.



**(ii) Social expenditure**

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in profit or loss as incurred.

**(q) Finance income and costs**

Finance income comprises interest income on funds invested, dividend income, foreign currency gains, fair value gains on financial assets at fair value through profit or loss and gains on the remeasurement to fair value of any pre-existing interest in an acquiree. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial instruments at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables).

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.

**(r) Income tax**

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates (and laws) 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.

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.

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.

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.

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.

When the applicable tax law is not very clear, or in tax regimes where the amounts finally payable to the tax authorities are the outcome of lengthy negotiations involving a high degree of subjectivity and discretion, the Group's tax positions may be challenged by the tax authorities, which may result in additional taxes, penalties or late-payment interest, or in changes in the tax basis of assets or liabilities, or changes in the amount of available tax loss carry-forwards that would reduce a deferred tax asset or increase a deferred tax liability. If such tax positions are taken by the Group and Management believes that it is probable that an outflow of economic benefits will be required to settle an obligation due to the Group's specific tax positions, the Group recognises current/deferred tax liabilities in the Statement of financial position and income tax expense in profit and loss for the estimated amount of the additional tax, penalties and late-payment interest.

### **34. New standards and interpretations not yet adopted**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning after 1 January 2022:

#### **Amendments to IAS 16 Property, Plant and Equipment (issued in May 2020)**

The amendments require any proceeds from selling items produced (and related production costs) in the course of bringing an item property, plant and equipment into operation to be recognised in profit or loss clarifying that such items are not reflected in the cost of the asset.

The amendment is effective for financial years beginning on or after 1 January 2022 and is not yet endorsed for use under in UK adopted IFRS under the Companies Act 2006.

The Group does not expect a material impact on its consolidated financial statements from these amendments.

#### **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (issued in May 2020)**

The amendments clarify that the cost of fulfilling a contract are costs that relate directly to that contract. Such costs can be the incremental costs of fulfilling that contract or an allocation of other costs directly related to fulfilling that contract.

The amendment is effective for financial years beginning on or after 1 January 2022 and is not yet endorsed for use in UK adopted IFRS under the Companies Act 2006.

The Group does not expect a material impact on its consolidated financial statements from these amendments.

**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current** *(issued January 2020)*

The amendments clarify that the classification of a liability as current or non-current is based only on rights existing at the end of the reporting period and the classification is not affected by expectations about whether rights to settle or defer a liability will be exercised. Further, the amendments clarify that the settlement of a liability refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. This amendment only affects presentation.

The amendment is effective for financial years beginning on or after 1 January 2023 and is not yet endorsed for use in UK adopted IFRS under the Companies Act 2006.

The Group does not expect a material impact on its consolidated financial statements from these amendments.

**Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies** *(issued in February 2021)*

The amendments enhance the disclosure requirements relating to an entity's accounting policies and clarify that the notes to a complete set of financial statements are required to include material accounting policy information. Material accounting policy information, when considered with other information included in the financial statements, can reasonably be expected to influence decisions that the primary users of financial statements make on the basis of the financial statements. The amendments help preparers determine what constitutes material accounting policy information and notes that accounting policy information which focuses on how IFRS has been applied to its own circumstances is more useful for users of financial statements than standardised information or information duplicating the requirements of IFRS.

The amendment also states that immaterial accounting policy information need not be disclosed but when it is disclosed it shall not obscure material accounting policy information. Further, if accounting policy information is not deemed material this does not affect the materiality of related disclosure requirements of IFRS.

The disclosure of judgements made in applying accounting policies should reflect those that have had the most significant effect on items recognised in the financial statements.

The amendment is effective for financial years beginning on or after 1 January 2023 and is not yet endorsed for use under in UK adopted IFRS under the Companies Act 2006.

**Amendments to IAS 8 Definition of Accounting Estimates** *(issued in February 2021)*

The amendments define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty. An accounting policy may require an item in financial statements to be measured at a monetary amount that cannot be observed directly so that in order to achieve the objective of an accounting policy, an estimation is required.

The amendments state that the development of an accounting estimate requires the use of judgement or assumptions based on the latest available reliable information and involve the use of measurement techniques and inputs. Accounting estimates might then need to change as a result of new information, new developments or more experience.

A change in input or measurement technique is a change in accounting estimate which is applied prospectively unless the change results from the correction of prior period errors.

The amendment is effective for financial years beginning on or after 1 January 2023 and is not yet endorsed for use in UK adopted IFRS under the Companies Act 2006.

**Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction** *(issued 7 May 2021)*

The amendments specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations.

In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted and is not yet endorsed for use in UK adopted IFRS under the Companies Act 2006.

### **35. Adjustments of comparative period information**

During 2021 the Group amended the methodology for calculating deferred tax on deductible temporary differences arising from contract liabilities. Specifically, it changed the approach of determining the tax rates expected to be applied to the respective temporary differences when they reverse. Previously the Group determined these rates as those, which were enacted or substantially enacted in the jurisdictions of the legal entities which concluded the relevant sales contracts with counterparties. Under the new technique the rates are calculated as blended rates of all Group legal entities, which take part in satisfying performance obligations to the Group's customers under the relevant sales transactions. Thus, management consider that the new technique provides more reliable information on the amount of deferred tax assets on contract liabilities. Comparative period information was amended respectively for consistency as summarised in the following tables:

*Consolidated statement of financial position (extract):*

'000 USD	31 December 2020 (as previously reported)	Increase / (Decrease)	31 December 2020 (restated)	31 December 2019 (as previously reported)	Increase / (Decrease)	1 January 2020 (restated)
Deferred tax assets	115,230	(25,875)	89,355	107,709	(5,070)	102,639
Other assets	880,745	-	880,745	812,910	-	812,910
<b>Total assets</b>	<b>995,975</b>	<b>(25,875)</b>	<b>970,100</b>	<b>920,619</b>	<b>(5,070)</b>	<b>915,549</b>
<b>Total liabilities</b>	<b>815,809</b>	<b>-</b>	<b>815,809</b>	<b>755,778</b>	<b>-</b>	<b>755,778</b>
Retained earnings	254,488	(24,008)	230,480	213,579	(5,056)	208,523
Translation reserve	(74,323)	(1,867)	(76,190)	(48,299)	(14)	(48,313)
Others	1	-	1	(439)	-	(439)
<b>Total equity</b>	<b>180,166</b>	<b>(25,875)</b>	<b>154,291</b>	<b>164,841</b>	<b>(5,070)</b>	<b>159,771</b>

*Consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2020 (extract):*

<b>'000 USD</b>	<b>As previously reported</b>	<b>Increase / (Decrease)</b>	<b>As restated</b>
Income tax expense	(45,699)	(18,952)	(64,651)
Other items	86,608	-	86,608
<b>Profit for the year</b>	<b>40,909</b>	<b>(18,952)</b>	<b>21,957</b>
Foreign currency translation differences for foreign operations	(25,584)	(1,853)	(27,437)
<b>Total other comprehensive income</b>	<b>(25,584)</b>	<b>(1,853)</b>	<b>(27,437)</b>
<b>Total comprehensive income for the year</b>	<b>15,325</b>	<b>(20,805)</b>	<b>(5,480)</b>
Profit attributable to:			
Owners of the Company	40,909	(18,952)	21,957
Non-controlling interests	-	-	-
<b>Profit for the year</b>	<b>40,909</b>	<b>(18,952)</b>	<b>21,957</b>

### **36. Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### **(a) Property, plant and equipment and investment property**

The fair value of property, plant and equipment and investment property acquired recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on market approach and cost approaches using quoted market prices for similar items when available.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

**(b) Intangible assets**

The fair value of distribution agreements and customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

**(c) Inventories**

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

**(d) Trade and other receivables**

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

**(e) Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

**(f) Contingent consideration**

The fair value of contingent consideration is calculated using the income approach based on the expected payment amounts and their associated probabilities (i.e. probability-weighted). Since the contingent consideration is long-term nature, it is discounted to present value.

**(g) Other investments**

Equity securities are measured at fair value and their performance is actively monitored. The fair value of investments is determined by reference to quoted market prices; these investments are listed on the Moscow and major European stock exchanges (including London and Frankfurt stock exchanges).

		<b>2021</b>	<b>2020</b>
	<b>Notes</b>	<b>'000 USD</b>	<b>'000 USD</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	C1	645,707	636,202
Long-term loans to subsidiaries	C7	-	2,149
<b>Total non-current assets</b>		<b>645,707</b>	<b>638,351</b>
<b>Current assets</b>			
Short-term loans to subsidiaries	C7	2,236	-
Trade and other receivables	C2	767	892
Cash and cash equivalents		82	77
<b>Total current assets</b>		<b>3,085</b>	<b>969</b>
<b>Total assets</b>		<b>648,792</b>	<b>639,320</b>

The Company statement of financial position is to be read in conjunction with the notes to, and forming part of, the company financial statements set out on pages 90 to 96.



		2021	2020
	Notes	'000 USD	'000 USD
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	C3		
Share capital		1	1
Additional paid-in capital		17,221	17,221
Retained earnings		111,328	135,664
<b>Total equity</b>		<b>128,550</b>	<b>152,886</b>
<b>Non-current liabilities</b>			
Loans and borrowings	C5	504,216	481,756
<b>Total non-current liabilities</b>		<b>504,216</b>	<b>481,756</b>
<b>Current liabilities</b>			
Trade and other payables	C4	16,026	4,433
Loans and borrowings	C5	-	245
<b>Total current liabilities</b>		<b>16,026</b>	<b>4,678</b>
<b>Total liabilities</b>		<b>520,242</b>	<b>486,434</b>
<b>Total equity and liabilities</b>		<b>648,792</b>	<b>639,320</b>

The loss for the year ended 31 December 2021 was USD 13,336 thousand (2020: USD 11,696 thousand).

These Company financial statements were approved and authorised for issue by the Board of Directors on 13 October 2022 and were signed on its behalf by:



Svetlana von Wenden  
Director

The Company statement of financial position is to be read in conjunction with the notes to, and forming part of, the company financial statements set out on pages 90 to 96.

## **1 Basis of preparation**

### **(a) Statement of compliance**

These Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted for use in the United Kingdom ("UK adopted IFRS") and also in accordance with the applicable requirements of the Companies Act 2006. Kaspersky Labs Limited is a private company limited by shares and incorporated in England and Wales and domiciled in the United Kingdom. The Company's registration number is 04249748. The principal activity of the Company is marketing and distribution of information security solutions which protect its customers from a wide range of IT threats, including viruses and other forms of malicious software, spam, hackers, intrusions, and unauthorized use or disclosure of confidential information. Its registered office and principal place of business is 2 Kingdom Street, Paddington Basin, London, W2 6BD.

On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

### **(b) Basis of measurement**

The Company financial statements are prepared on the historical cost basis.

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

The functional and presentation currency of the Company is the United States Dollar ("USD"). All financial information presented in USD has been rounded to the nearest thousand.

Balances and transactions were translated into USD using the principles set in Note 33 (b)(i) to the Group's consolidated financial statements.

### **(d) Use of judgments, estimates and assumptions**

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRSs. 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. The judgments applied are the same as Note 1 (d) of the group accounting policies.

## **2 Significant accounting policies**

The significant accounting policies applied in the preparation of the Company's financial statements are consistent with the accounting policies used in preparation of the Group's consolidated financial statements, which are described in Note 33 (a) to 33 (r) to the consolidated financial settlements. These accounting policies have been consistently applied.

Investments in subsidiaries are carried at cost less impairment and provisions.

**C1 Investments in subsidiaries**

	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	Cost of investment '000 USD	Cost of investment '000 USD	Ownership/ voting	Ownership/ voting
Kaspersky Lab UK Limited	449,133	449,133	100%	100%
JSC Kaspersky Group	174,204	174,204	100%	100%
Kaspersky Lab Asia Ltd.	3,557	3,557	100%	100%
Kaspersky Lab France EURL.	2,259	2,259	100%	100%
Kaspersky Lab Switzerland GmbH	1,138	1,138	100%	100%
Kaspersky Labs GmbH	847	847	100%	100%
Kaspersky Lab Inc	494	494	100%	100%
Kaspersky Lab Italia S.r.l.	2,635	2,635	100%	100%
Kaspersky Info Systems SRL	262	262	100%	100%
Kaspersky Lab S.L.U.	193	193	100%	100%
Kaspersky Bilisim Hizmetleri San Ve Tic Ltd	125	125	99.9%	99.9%
KK Kaspersky Lab Japan	119	119	100%	100%
B4N Group Limited	10,599	-	82.21%	-
Kaspersky Lab Soluções Seguras Brazil LTDA	1	1	99.9%	99.9%
Kaspersky Security Solutions Ireland Limited	-	1,094	100%	100%
Other minor subsidiaries	141	141	100%	100%
	<b>645,707</b>	<b>636,202</b>		

All subsidiaries are listed with their registered office in Note 27 to the group financial statements.

**C2 Trade and other receivables**

	2021	2020
	'000 USD	'000 USD
Receivables from subsidiaries (refer to Note C7(i))	767	892
	<b>767</b>	<b>892</b>

**C3 Equity**

**(a) Share capital and additional paid-in capital**

*Number of shares unless otherwise stated*

	Shares	Shares
	2021	2020
Authorised shares at beginning of year	110,000,000	110,000,000
Authorised shares at end of year	110,000,000	110,000,000
In issue at end of period, fully paid	64,957,250	64,957,250
	USD 0.0000135	USD 0.0000131
	(equivalent of	(equivalent of
Par value at beginning of year	0.00001 GBP)	0.00001 GBP)
	USD 0.0000135	USD 0.0000135
	(equivalent of	(equivalent of
Par value at end of year	0.00001 GBP)	0.00001 GBP)

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.

**(b) Dividends**

During the year ended 31 December 2021 the Company declared and paid dividends of USD 11,000 thousand (2020: no dividends declared).

**(c) Additional paid in capital**

The additional paid in capital reserve is used to record the value of own shares acquired in excess of par value.

**(d) Retained earnings**

Retained earnings is used to record the accumulated profits and losses realized during the course of the year and prior years.

**C4 Trade and other payables**

	2021	2020
	'000 USD	'000 USD
<b>Current:</b>		
Other payables and accrued expenses	733	3,927
Other payables to a subsidiary	15,293	506
	<u>16,026</u>	<u>4,433</u>

**C5 Loans and borrowings**

	2021	2020
	'000 USD	'000 USD
<b>Non-current:</b>		
Loans from subsidiaries (USD nominated)	504,216	481,756
	-	-
<b>Current:</b>		
Loans from subsidiaries (EUR nominated)	-	245
	<u>504,216</u>	<u>482,001</u>

Loans and borrowings as at 31 December 2021 are represented by loans from subsidiaries. The loans are USD-denominated at 2.45% per annum and are repayable on 31 December 2022, see note C7(iii).

## **C7 Related party transactions**

The company related party transactions are disclosed below.

### **(i) Revenue**

'000 USD	Transaction value 2021	Transaction value 2020	Outstanding balance 2021	Outstanding balance 2020
Other revenue from:				
- Subsidiaries	88	87	767	892
	<b>88</b>	<b>87</b>	<b>767</b>	<b>892</b>

Other revenue received from subsidiaries relates to interest income received for loans granted to subsidiaries.

### **(ii) Expenses**

'000 USD	Transaction value 2021	Transaction value 2020	Outstanding balance 2021	Outstanding balance 2020
- Services from subsidiaries	-	-	(4,293)	(3,926)
- Interest expense to subsidiaries	12,084	11,797	-	-
- Prepayments received from subsidiaries	-	-	(11,000)	-
	<b>23,084</b>	<b>11,797</b>	<b>(15,293)</b>	<b>(3,926)</b>

All outstanding balances with related parties are to be settled in cash within six to nine months of the reporting date. None of the balances are secured.

**(iii) Loans**

'000 USD	Amount loaned	Amount loaned	Outstanding balance	Outstanding balance
	2021	2020	2021	2020
Loans/financing received from:				
Subsidiaries	(10,500)	-	(504,216)	(482,001)
Loans/prepayment granted to:				
Subsidiaries	-	-	2,236	2,149
	(10,500)	-	(501,980)	(479,852)

The unsecured loans granted to related parties are denominated in USD. The loans carry interest rate at 4% per annum and are repayable on 31 December 2022.

The loans from related parties are denominated in USD at 2.45% per annum and are repayable on 31 December 2022.

**C8. Financial instruments**

The Company holds the following financial instruments:

	2021 '000 USD	2020 '000 USD
<b>Financial assets</b>		
Financial assets at amortised cost:	3,085	3,118
<b>Total financial assets</b>	<b>3,085</b>	<b>3,118</b>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost:	509,241	486,434
<b>Total financial liabilities</b>	<b>509,241</b>	<b>486,434</b>

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

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

Please refer to note 23 of the Consolidated Financial Statements for a description of the Company's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

**(a) Credit risk**

Most of the Company's financial assets represent loans to and trade receivables from its subsidiaries – please refer to note C7(i) and C7(iii). Therefore, the Company's credit risk is concentrated within the Group and the level of the risk depends on the financial position of the Group, which is considered to be strong and no credit losses are expected in respect of amounts receivable from the Company's subsidiaries.

**(b) Liquidity risk**

The Company's financial liabilities consist of loans payable to its subsidiaries and non-interest bearing trade and other payables. The following are the contractual maturities of financial liabilities, including estimated interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts:

**31 December 2021**

'000 USD	Carrying amount	Contract cash flows	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years
Loans payables to subsidiaries	504,216	504,216	-	-	504,216	-	-	-
Trade and other payables	16,025	16,025	11,000	-	5,025	-	-	-
	<b>509,241</b>	<b>509,241</b>	<b>11,000</b>	<b>-</b>	<b>509,241</b>	<b>-</b>	<b>-</b>	<b>-</b>

**31 December 2020**

'000 USD	Carrying amount	Contract cash flows	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years
Loans payables to subsidiaries	482,001	482,001	245	481,756	-	-	-	-
Trade and other payables	4,433	4,433	4,433	-	-	-	-	-
	<b>486,434</b>	<b>486,434</b>	<b>4,678</b>	<b>481,756</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**(c) Market risk**

The Company's financial assets and liabilities are interest free or fixed rate. Most of its financial assets and liabilities are in USD, which is the Company's functional currency.