

Registered number: 10331020

CLOUDFACTORY INTERNATIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021



CLOUDFACTORY INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	Mark Thomas Sears Cary Smith
Registered number	10331020
Registered office	The White Building 33 Kings Road Reading RG1 3AR
Independent auditor	Crowe U.K. LLP Aquis House 49-51 Blagrove Street Reading Berkshire RG1 1PL

CLOUDFACTORY INTERNATIONAL LIMITED

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CLLOUDFACTORY INTERNATIONAL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2021

Introduction

The directors present their report and financial statements for the year ended 30 June 2021.

Principal activities & Company overview

CloudFactory was established to connect 1 million talented people to meaningful, online work where together we can earn, learn and serve our way to become leaders worth following. CloudFactory is a global leader in combining people and technology to provide a workforce in the cloud for machine learning and data processing.

Business review & Key performance indicators

The directors consider revenue, operating profit/loss and cash balances to be the key financial performance indicators of the business.

The year ended June 30 2021 ("FY21") was a year of growth for CloudFactory. In the twelve months ended June 30, 2021, turnover increased 40.2% from US\$25,117,694 in FY20 to US\$35,207,824 in FY21, and active clients using CloudFactory grew to more than 230.

Costs also increased along with revenue, as the Company continued to invest in acquiring clients, building infrastructure, and developing technology necessary to support ongoing aggressive revenue growth.

The Company's operating loss improved from (US\$4,167,179) to (US\$946,779). The improved operating loss was primarily a result of the revenue growth combined with more efficient client acquisition costs versus the prior year. The Company's loss on ordinary activities after taxation improved from (US\$3,776,842) to (US\$944,308).

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In addition to the cash on hand at June 30 2021, of US\$5,581,367, the Group that the Company is a member of also has a US\$15,000,000 line of credit in place with a large financially sound financial institution. No draws on the line of credit have been made as of the date of this report. In the opinion of the directors, this will enable the Company to meet its day to day working capital requirements for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statement.

Risk management objective and policies

There are many components of risk. CloudFactory and its board of directors are responsible for ensuring the mitigation and management of systemic risks which pose a potential threat to financial stability.

CLOUDFACTORY INTERNATIONAL LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

Financial risk management

The Group that the Company is a member uses various financial instruments including intra-group borrowings, cash and trade creditors and debtors arising directly from operations. Existence of these financial instruments exposes the Group to a number of financial risks.

The Group generates revenue from services primarily denominated in US\$. The Group's costs are incurred in multiple currencies - primarily US dollars, Nepal rupees, Kenyan shillings, and British pounds. To date the various currencies have generally been stable versus the US dollar, but there is no guarantee this will continue. The company routinely monitors currency fluctuation and engages with currency professionals about the outlook for fluctuation; but to date no formal or sophisticated currency management program is in place.

The Group's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The principle credit risk therefore arises from its trade debtors which are managed through a diversified customer base such that no one customer represents a significant proportion of the Group's trade. The amounts presented on the balance sheets are net of allowances for doubtful accounts. An allowance for impairment is made when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Additionally, new customers are required to initially pay in advance for services to both provide confidence in collectibility as well as to cover initial costs incurred by CloudFactory such that CloudFactory rarely if ever is in a position of losing money on a customer. Historically the Group has not had material write-offs. Credit risk is not considered material to the Group. The Group has a US\$15,000,000 line of credit in place and available to draw on demand in the event the Directors deem it appropriate.

The Group has a history of and anticipates ongoing operating losses exposing the company to a level of liquidity and cash risk. The Group has historically funded these losses through external equity financings and at times strategic debt instruments. Currently it is the opinion of the Directors that the existing cash balances are adequate for the foreseeable future.

The management objectives are to retain sufficient liquid funds to enable it to meet its day to day requirements, minimise the group's exposure to fluctuating interest rates, and match the repayment schedule of any external borrowings or overdrafts with the future cash flows expected to arise from the Group's trading activities.

The group makes little use of financial instruments other than an operational bank account and so its exposure to credit risk, currency risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the group.

Having regards to the above, the directors believe it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

This report was approved by the board on 24 November 2021 and signed on its behalf.



Cary Smith
Director

CLLOUDFACTORY INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

The directors present their report and the financial statements for the year ended 30 June 2021.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to \$944,308 (2020 - loss \$3,776,842).

Directors

The directors who served during the year were:

Mark Thomas Sears
Cary Smith

Future developments

The company will continue its policy of investment in research and development in order to retain a competitive position in the market.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

CLOUDFACTORY INTERNATIONAL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021**

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 24 November 2021 and signed on its behalf.



Cary Smith
Director

CLOUDFACTORY INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLOUDFACTORY INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of CloudFactory International Limited (the 'Company') for the year ended 30 June 2021, which comprise the Statement of income and retained earnings, the Balance sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 directors' 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 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 directors with respect to going concern are described in the relevant sections of this report.

CLOUDFACTORY INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLOUDFACTORY INTERNATIONAL LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinion 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 the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

CLOUDFACTORY INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLOUDFACTORY INTERNATIONAL LIMITED (CONTINUED)

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:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risks of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and revenue recognition. Our audit procedures to respond to management override risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases. Our audit procedures to respond to revenue recognition risks included sample testing a sample of income across the year to agree to supporting documentation, and reviewing income received either side of the year end to ensure this has been recognised correctly.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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. 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.

CLLOUDFACTORY INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLOUDFACTORY INTERNATIONAL
LIMITED (CONTINUED)



Richard Baker (Senior statutory auditor)

for and on behalf of
Crowe U.K. LLP

Statutory Auditor

Aquis House
49-51 Blagrove Street

Reading
Berkshire

RG1 1PL

Date: 26 November 2021

CLOUDFACTORY INTERNATIONAL LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 30 JUNE 2021**

		2021 \$	2020 \$
Turnover	3	35,207,824	25,117,694
Cost of sales		(13,720,159)	(11,160,981)
Gross profit		21,487,665	13,956,713
Distribution costs		-	(2,103)
Administrative expenses		(22,434,444)	(18,121,789)
Operating loss	4	(946,779)	(4,167,179)
Interest receivable and similar income	8	2,471	13,566
Loss before tax		(944,308)	(4,153,613)
Tax on loss	9	-	376,771
Loss after tax		(944,308)	(3,776,842)
Retained earnings at the beginning of the year		(7,938,526)	(4,161,684)
		(7,938,526)	(4,161,684)
Loss for the year		(944,308)	(3,776,842)
Retained earnings at the end of the year		(8,882,834)	(7,938,526)

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of income and retained earnings.

The notes on pages 11 to 24 form part of these financial statements.

CLOUDFACTORY INTERNATIONAL LIMITED
REGISTERED NUMBER: 10331020

BALANCE SHEET
AS AT 30 JUNE 2021

	Note	2021 \$	2020 \$
Fixed assets			
Intangible assets	10	1,168,733	964,555
Tangible assets	11	85,827	87,828
		<u>1,254,560</u>	<u>1,052,383</u>
Current assets			
Debtors: amounts falling due within one year	12	7,554,075	5,178,463
Cash at bank and in hand	13	5,581,367	6,868,555
		<u>13,135,442</u>	<u>12,047,018</u>
Creditors: amounts falling due within one year	14	(23,509,666)	(21,274,757)
Net current liabilities		<u>(10,374,224)</u>	<u>(9,227,739)</u>
Total assets less current liabilities		<u>(9,119,664)</u>	<u>(8,175,356)</u>
Net liabilities		<u>(9,119,664)</u>	<u>(8,175,356)</u>
Capital and reserves			
Called up share capital	16	1	1
Foreign exchange reserve	17	117,885	117,885
Other reserves	17	(462,195)	(462,195)
Merger reserve	17	107,479	107,479
Profit and loss account	17	(8,882,834)	(7,938,526)
		<u>(9,119,664)</u>	<u>(8,175,356)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 November 2021.



Cary Smith
 Director

The notes on pages 11 to 24 form part of these financial statements.

CLLOUDFACTORY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1. General information

CloudFactory International Limited is a private company, limited by shares, (registered number 10331020) and incorporated and domiciled in the United Kingdom. Its registered office is The Blade, Abbey Street, Reading, RG1 3BE.

2. Accounting policies

2.1 Basis of preparation of financial statements

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of CloudFactory Holdings Limited as at 30 June 2021 and these financial statements may be obtained from The Blade Building, Abbey Square, Reading, England, RG1 3BE.

2.3 Going concern

The financial statements have been prepared on a going concern basis. In making this assessment the directors have considered:

- The on-going cost and capital commitments of the business which have been forecasted based upon a variety of scenarios depending upon progress made during the next 12 months.
- The ability of the company, to potentially trade profitably and generate cash to meet its working capital requirements depending upon the development and growth of the business.
- It's current strong balance sheet and cash position the results from the equity funding closed in November.

The financial statements do not include any adjustments that would result from the going concern basis not being appropriate.

CLOUDFACTORY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional currency is GBP. This differs from the presentational currency which is USD. The reason for the difference is that main contracts are signed in USD whilst operations are based in the United Kingdom which uses GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Clients subscribe to a contracted number of hours each month. The Company recognises revenue on the basis of work performed and stage of completion in a given month and it is billed in line with contracts at the end of the relevant month.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

CLOUDFACTORY INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. Accounting policies (continued)

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.10 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

CLOUDFACTORY INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- 3 years
Office equipment	- 3 years
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

CLOUFACTORY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.17 Financial liabilities

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities within the scope of IAS 39 are initially classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequently, the measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. Derivatives, including separately embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Derecognition of financial liabilities

A liability is derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification, this is treated as a derecognition of the original liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

CLOUDFACTORY INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

3. Turnover

An analysis of turnover by class of business is as follows:

	2021 \$	2020 \$
Cloud labour services	35,207,824	25,117,694
	<u>35,207,824</u>	<u>25,117,694</u>

Analysis of turnover by country of destination:

	2021 \$	2020 \$
United Kingdom	1,494,816	543,357
Rest of Europe	1,775,023	1,429,069
Rest of the world	31,937,985	23,145,268
	<u>35,207,824</u>	<u>25,117,694</u>

4. Operating loss

The operating loss is stated after charging:

	2021 \$	2020 \$
Exchange differences	(1,241,751)	669,789
Other operating lease rentals	253,828	189,872
	<u> </u>	<u> </u>

5. Auditor's remuneration

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

CLOUDFACTORY INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2021	2020
	\$	\$
Wages and salaries	4,061,018	3,152,791
Social security costs	463,756	417,029
Cost of defined contribution scheme	130,302	98,383
	<u>4,655,076</u>	<u>3,668,203</u>

The average monthly number of employees, including directors, during the year was 36 (2020 - 28).

7. Directors' remuneration

	2021	2020
	\$	\$
Directors' emoluments	-	459,939
Company contributions to defined contribution pension schemes	-	12,596
	<u>-</u>	<u>472,535</u>

During the year retirement benefits were accruing to no directors (2020 - NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of \$NIL (2020 - \$238,663).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to \$NIL (2020 - \$4,559).

During the current year the directors were remunerated through a different group entity therefore no remuneration was paid by the Company.

8. Interest receivable

	2021	2020
	\$	\$
Other interest receivable	2,471	13,566
	<u>2,471</u>	<u>13,566</u>

CLOUDFACTORY INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

9. Taxation

	2021	2020
	\$	\$
Corporation tax		
Research and development tax credit	-	(376,771)
	<u>-</u>	<u>(376,771)</u>
Total current tax	<u>-</u>	<u>(376,771)</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit/(loss) on ordinary activities	<u>-</u>	<u>(376,771)</u>

CLLOUDFACTORY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 \$	2020 \$
Loss on ordinary activities before tax	(944,308)	(4,153,613)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(179,419)	(789,186)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	26,861	23,044
Income not taxable for tax purposes	-	(48)
Adjustments to losses	(19,426)	-
Adjustments to tax charge in respect of prior periods	-	(386,895)
Adjustments to tax charge in respect of previous periods - deferred tax	13,547	-
Remeasurement of deferred tax for changes in tax rates	(460,556)	(50,060)
Current tax (prior period) exchange difference arising on movement between opening and closing spot rates	-	11,889
Deferred tax not recognised	618,993	-
Non-taxable income	-	816,250
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	-	(1,765)
Total tax charge for the year	-	(376,771)

Factors that may affect future tax charges

Losses totalling \$8,837,371 (2020: \$7,513,523) have been carried forward and are available for use against future profits.

CLOUDFACTORY INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

10. Intangible assets

	Software developmen t \$
Cost	
At 1 July 2020	3,398,854
Additions - internal	794,373
At 30 June 2021	<u>4,193,227</u>
Amortisation	
At 1 July 2020	2,434,299
Charge for the year on owned assets	590,195
At 30 June 2021	<u>3,024,494</u>
Net book value	
At 30 June 2021	<u>1,168,733</u>
At 30 June 2020	<u>964,555</u>

CLOUDFACTORY INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

11. Tangible fixed assets

	Fixtures and fittings \$	Office equipment \$	Computer equipment \$	Total \$
Cost or valuation				
At 1 July 2020	89,158	10,259	95,001	194,418
Additions	-	3,840	60,555	64,395
At 30 June 2021	<u>89,158</u>	<u>14,099</u>	<u>155,556</u>	<u>258,813</u>
Depreciation				
At 1 July 2020	51,458	2,952	52,180	106,590
Charge for the year on owned assets	30,470	4,160	31,766	66,396
At 30 June 2021	<u>81,928</u>	<u>7,112</u>	<u>83,946</u>	<u>172,986</u>
Net book value				
At 30 June 2021	<u>7,230</u>	<u>6,987</u>	<u>71,610</u>	<u>85,827</u>
At 30 June 2020	<u>37,700</u>	<u>7,307</u>	<u>42,821</u>	<u>87,828</u>

12. Debtors

	2021 \$	2020 \$
Trade debtors	5,239,004	3,311,006
Amounts owed by group undertakings	1,702,340	1,241,823
Other debtors	112,707	383,724
Prepayments and accrued income	500,024	241,910
	<u>7,554,075</u>	<u>5,178,463</u>

CLOUDFACTORY INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

13. Cash and cash equivalents

	2021	2020
	\$	\$
Cash at bank and in hand	5,581,367	6,868,555
	<u>5,581,367</u>	<u>6,868,555</u>

14. Creditors: Amounts falling due within one year

	2021	2020
	\$	\$
Trade creditors	393,958	243,659
Amounts owed to group undertakings	22,040,471	20,344,216
Other taxation and social security	151,187	107,489
Other creditors	376,109	150,561
Accruals and deferred income	547,941	428,832
	<u>23,509,666</u>	<u>21,274,757</u>

15. Financial instruments

	2021	2020
	\$	\$
Financial assets		
Financial assets that are measured at amortised cost	<u>11,994,608</u>	<u>11,428,337</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(23,358,479)</u>	<u>(21,167,268)</u>

Financial assets measured at amortised cost comprise cash at bank, trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and amounts owed to group undertakings.

CLOUDFACTORY INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

16. Share capital

	2021	2020
	\$	\$
Allotted, called up and fully paid		
1 (2020 - 1) Ordinary shares share of \$1	1	1
	<u>1</u>	<u>1</u>

17. Reserves

Foreign exchange reserve

Foreign exchange reserve takes into account the translation of the functional currency GBP into presentation currency USD.

Other reserves

Other reserves includes amounts that have been re-allocated following the restructure of the Company in the year ended 30 June 2018.

Share based payment reserve

Share based payment includes amounts that have been expensed in relation to share based payments granted by the parent company CloudFactory Holdings Limited.

18. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to \$130,302 (2020 - \$98,383). Contributions totalling \$28,817 (2020 - \$18,361) were payable to the fund at the balance sheet date and are included in creditors.

19. Commitments under operating leases

At 30 June 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021	2020
	\$	\$
Not later than 1 year	240,809	189,674
Later than 1 year and not later than 5 years	576,941	768,889
	<u>817,750</u>	<u>958,563</u>

CLOUDFACTORY INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

20. Related party transactions

Transactions with CloudFactory Holdings Limited have not been disclosed by virtue of the fact that CloudFactory International Limited is a wholly owned subsidiary, and the company's results are consolidated with the group accounts produced by the parent.

21. Controlling party

CloudFactory Holdings Limited is, in the directors' opinion, the ultimate parent company and ultimate controlling party of Cloudfactory International Limited. CloudFactory Holdings Limited is incorporated and domiciled in the UK (Company registration no. 10798129). The registered office address is:

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33 Kings Road
Reading
RG1 3AR