

**Cloudreach Acquisitions Limited**

Annual report and financial statements

Registered number 10590576

For the year ended 31 July 2021



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## Company Information

Directors:	Mr C Bunch (resigned 31 August 2020) Mr D Faure (resigned 7 January 2022) Mrs R Orpwood Mr C Van Doren (appointed 14 January 2022) Mr W Donovan (appointed 14 January 2022)
Secretary:	Mrs R Orpwood (resigned 14 January 2022) Mrs D Sac Bun (appointed 14 January 2022)
Registered Office:	3 <sup>rd</sup> Floor, Saffron House 6 – 10 Kirby Street London EC1N 8TS
Registered Number:	10590576
Auditor:	KPMG LLP 319 St Vincent Street Glasgow G2 5AS
Banker:	HSBC UK Bank Plc Scotland Corporate Banking Centre 141 Bothwell Street Glasgow G2 7EQ
Solicitor:	DLA Piper UK LLP 160 Aldersgate Street London EC1A 4HT

## Strategic Report

The directors present their strategic report, in accordance with the Companies Act 2006, for the group for the year ended 31 July 2021.

### Review of the Business

Cloudreach Acquisitions Limited (“the Company”) was incorporated on 30 January 2017.

The principal activity of Cloudreach Acquisitions Limited is to act as a holding entity for the Group.

The principal activity of the Group is the provision of cloud-based IT software and services solutions to businesses. Cloudreach’s “Professional Services” business delivers large and complex cloud implementation projects and its “Managed Services” business follows through by providing 24-7 customer support services. Cloudreach’s “Cloud Platform” business offers easy access to the most suitable suite of third-party cloud solutions for each customer, frequently enabled and managed by Cloudreach’s proprietary IP, developed by our Software business.

Cloudreach’s customers typically migrate from traditional IT infrastructure to cloud-based IT solutions. This migration trend has increased dramatically over recent years and is expected to continue. The benefits of migrating to cloud-based IT solutions for Cloudreach’s customers are increased business agility, reduced IT failure risks, operating cost savings and reduction in capital expenditure.

Cloudreach has developed extensive accreditation from, and top tier status with the largest and most innovative providers of cloud-based platforms. It is a consulting, managed services, and software partner for each of Amazon Web Services (AWS), Microsoft Azure and Google Cloud Platform (GCP).

Cloudreach’s headquarters are in London and the company also has offices in Edinburgh. The Group also has offices in Amsterdam, Atlanta, Chicago, Berlin, Munich, Cologne, New York, Paris, Zurich, Vancouver and in addition to remote staff across North America and Europe.

### Investment in Business

In February 2017, the Blackstone Group L.P. (“Blackstone”), one of the world’s leading investment firms, acquired a majority share in the Group, through the incorporation of this Company and the acquisition of the majority of the shares in Cloudreach Holdings Limited. Further cash investments were made by another new minority shareholder in June 2018. No further equity investments have been made by Blackstone or other minority shareholders during 2021 (2020: £27,887,000).

The previous investments have funded the Group’s rapid growth, strengthening of its internal systems and processes and international expansion to Continental Europe and North America, including the acquisition of Cloudamize Inc, and the trade and assets of Emerging Technology Advisers during the year to 31 July 2018. Additionally, the Group’s ultimate parent company, Cloudreach Topco Limited, completed an asset acquisition of Relus Cloud, a premier consulting partner in the Amazon Web Services Partner Network during the year to 31 July 2019.

On 7 December 2021 Blackstone L.P. entered a sale contract with Atos. The transaction completed on 3 January 2022 resulting in Atos becoming the controlling party of the group.

## Strategic Report *(continued)*

### Results and Performance

In 2021 the Group generated strong revenue performance, with focus on retaining key customers, the addition of new customers and upselling to existing customers.

The Group's Software and Cloud Platform businesses recorded strong growth with revenues increasing 70% and 45% respectively. The Group's Professional Services and Managed Services businesses recorded a reduction in revenues of 2% and 10% respectively. Gross profit for the year was £27,936,000, 17% (2020: £22,177,000, 18%).

The Group delivered a loss on ordinary activities before tax for the year of £28,459,000 (2020: loss of £65,264,000) and had net liabilities of £13,657,000 (2020: net assets of £4,694,000).

### People

During the year the Group continued to focus heavily on its culture and values and hiring exceptional talent into the business.

### Strategy

Cloudreach's mission is to deliver the promise of cloud. The company provides end-to-end public cloud IT transformation services from cloud strategy consulting, cloud infrastructure design and build, cloud application migration and modernization, through to cloud managed services, cloud security and DevOps services.

Cloudreach also provides easy access to the most suitable suite of leading third-party cloud platform solutions in addition to providing its own proprietary cloud transformation software solutions; Cloudamize and Sunstone.

In 2021 Cloudreach was again recognised in the Gartner Magic Quadrant report, positioning as a "Visionary" in the Magic Quadrant for Public Cloud IT Transformation Services.

Cloudreach continues to build and strengthen relationships with key technology partners. In the year:

- Cloudreach and Amazon Web Services signed a Strategic Collaboration Agreement to accelerate global cloud adoption and in September 2021 Cloudreach launched its Global Talent Academy, in collaboration with Amazon Web Services, with the aim of boosting diversity and inclusion in the tech sector.
- Cloudreach received the 2020 Google Cloud Specialization Partner of the Year Award for Security award in July 2021. This marked the third consecutive year that Cloudreach won the award for its achievements in the Google Cloud ecosystem.
- Cloudreach earned the Windows Server and SQL Server Migration to Microsoft Azure Advanced Specialization in February 2021; a validation of a solution partner's deep knowledge, extensive experience and expertise in migrating Windows Server and SQL Server-based workloads to Azure.
- Cloudreach was named as an Intel 2021 U.S. Partner of the Year in the Emerging Technology Partners category in April 2021.

## Strategic Report *(continued)*

### Key Performance Indicators ('KPIs')

During the year the Group continued to closely monitor KPI's with Blackstone and its Board and make appropriate strategic adjustments to align for growth. The Board monitors the progress the progress of the Group by reference to the following KPI's :-

	2021	2020
Adjusted turnover ( <i>non-GAAP</i> ) *	£69.9m	£62.5m
Gross Margin	17%	18%
Average Number of Employees	627	722
Adjusted EBITDA ( <i>non-GAAP</i> )**	£(9.5m)	£(22.2m)

\*Adjusted turnover (*non-GAAP*) is gross turnover after including Cost of Sales related to Reseller and Partner turnover.

\*\* Adjusted EBITDA (*non-GAAP*) is operating loss before net foreign exchange gains, finance costs, taxation, depreciation, impairment expenses and exceptional items.

## Strategic Report *(continued)*

### Principal Risks and Uncertainties

#### Financial Risks and Going Concern Risk

The Group and Company are funded by a combination of funding from its parent company Cloudreach Topco Limited, equity and retained earnings. Cloudreach Topco Limited has made an undertaking that it will continue to make available such funds as are needed to enable the Group and Company to continue to trade and meet its financial obligations as they fall due.

The directors have prepared cash flow forecasts for the period to 31 July 2023 which indicate that, taking account of reasonably plausible downsides, the company and the group will have sufficient funds to meet their liabilities as they fall due for that period.

The directors' and Group's Risk Council continue to closely monitor the ongoing and potential future impacts of COVID-19, both operational and financial, to the Group's business. To date the operational and financial impact on the Group has been limited as the Group, and its stakeholders, ability to pivot to an agile way of working was in place prior to the emergence of COVID-19. With the majority of companies worldwide continuing to have to adopt to agile/remote working policies and practices with their employees and broader stakeholder group, COVID-19 has actually resulted in higher new demand for cloud based systems and a further acceleration of company data and system migrations to the cloud which is increasing the market in which Cloudreach operates. Management has determined that this is the likely trend for any continued COVID-19 impact on the Group.

As such, forecasting does not include any specific impact considerations relating directly, or indirectly, to COVID-19 but, rather, it is assumed that any such impact would be captured in the overall severe, but reasonably plausible, downside scenario modelling of the future revenue pipeline, conversion to sales, and, associated consequences to the Company's and Group's cash flows.

The directors continue to monitor the impact from Brexit which is expected to be limited due to the Group providing services and software, not physical goods. Further, in addition to the UK, the Group operates through locally incorporated and registered subsidiaries in several other European locations and North America which mitigates an overall impact of Brexit on the Group's operations.

Based on the above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the continuing uncertainty that the impact of COVID-19 is having on the group's operations result in circumstances which represent a material uncertainty that may cast significant doubt on the company's and group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Accordingly, the directors have adopted the going concern basis in preparing the annual report and financial statements as described in note 1.2.

#### Credit Risk

Cloudreach is exposed to credit risk for almost its entire revenue base. It has been very successful in managing its credit risk exposure and has not experienced any significant credit risk events. It has managed its credit risk exposure through careful contracting, project management and through the strength of its customer relationships.

#### Foreign Exchange Risk

Cloudreach is exposed to foreign exchange risk, particularly the risk of the US dollar strengthening significantly vis-a-vis the British pound over a short period of time, as was experienced following the Brexit vote on 23 June 2016.

Cloudreach continues to manage this exposure through operating bank accounts in several currencies and careful cash flow management and forecasting. Where possible the group matches the currency of its expenditure with that of revenue.

Cloudreach settles a significant proportion of its transactions with its Partners in US dollars and invoices the related revenue in its customer's local currency (principally US dollars and GBP). A significant proportion of the Group's administrative expenses are incurred in GBP. The Group's expansion in the US has resulted in an increased proportion of USD revenue, providing a natural offset for the US dollar expenditure incurred.

## **Strategic Report** *(continued)*

### **Principal Risks and Uncertainties** *(continued)*

#### Recruitment Risk

Cloudreach is growing quickly and recruiting staff with both excellent capability and strong cultural fit. It can be difficult to identify suitable candidates and, in the context of very specialist roles and low unemployment in key locations, there is a risk that Cloudreach do not recruit the right people as quickly as it would like to. This risk is mitigated by Cloudreach's reputation and awards as a great place to work.

#### Economic Downturn Risk

An economic downturn is a significant risk to the vast majority of businesses. For Cloudreach, during times of growth, demand for its services is driven by customers' focus on innovation and agility. Should an economic downturn occur, demand for Cloudreach services would increasingly be driven by customers' focus on cost rationalisation delivered by cloud systems reducing operating costs and almost eliminating capital expenditure. As a result, Cloudreach believes that its business would be more resilient during an economic downturn than most.

#### Brexit

The vote to leave the EU on 23 June 2016 has led to a period of uncertainty, whilst the UK government negotiates a new relationship with the EU and the rest of the world. The UK-EU Withdrawal Agreement became fully operational on 1 January 2021 at the end of the transition period which began with the UK leaving the EU on 31 January 2020. Management has been monitoring the situation closely, including the specifics and impact of the Withdrawal Agreement being reviewed and considered, and preliminary impact analysis and action plan which indicates little impact operationally or commercially for the Group. However, until full clarity is known regarding the future ongoing relationship between the UK and EU, the directors are not able to definitively assess the impact on the Company or Group or what the wider regulatory and legal consequences of the UK leaving the EU will be. The Board continues to monitor this on an ongoing basis to determine whether any action required to mitigate any risks expected to arise.

#### Coronavirus

In December 2019, an outbreak of a coronavirus disease 2019 (COVID-19) was identified in China. Early in 2020 COVID-19 was identified in the UK and other countries around the world, leading to the outbreak being declared a global pandemic by the World Health Organisation in March 2020. Subsequently the UK and other countries around the world in which the Group has operations (employees, customers and/or suppliers) have imposed a range of mitigation measures on their populations to limit the spread of the COVID-19, for example, lockdowns, vaccination and booster vaccination programmes and social distancing. Global economic growth was initially adversely impacted until the widespread vaccination programmes were successfully implemented but the global economy is currently indicating signs of recovery. The long-term economic impacts globally, and on a country-by-country basis, are unknown and could be severe and long lasting. Such impacts to the Group's customers, suppliers or employees are unable to be predicted accurately, particularly if key employees or groups of employees fall ill, or key customers stop trading. The directors' assessment of the impact of COVID-19 on the ability of the Company and Group to continue as going concerns is outlined in note 1.2.

#### Partner Performance Risk

Cloudreach's business is dependent on the technical performance, reliability and competitiveness of its partners' products. This risk is considered low based on the exceptional track record of performance and innovation by Cloudreach's partners.

## Strategic Report *(continued)*

### Section 172(1) Statement

Under section 172(1) of the Companies Act 2006, the directors are required to act in a way that they consider, in all good faith, would most likely promote the success of the Company, & Group, for the benefit of its members as a whole. This success must be for the benefit of the Company & Group's shareholders but also for all other stakeholders.

In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the Cloudreach's employees;
- need to foster the Cloudreach's business relationships with suppliers, customers and others;
- impact of Cloudreach's operations on the community and environment;
- desirability of Cloudreach maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company & Group.

In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example include:

- the interests and views of our employees which are guided by our employee 'Cloudy' values and monitored by our annual employee 'State of Cloudiness' survey; and
- our relationships with our primary Cloud Service Provider partners which are managed by our dedicated Cloud Partnerships team

We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering Cloudreach's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

As is normal for large companies, we delegate authority for day-to-day management of the Company & Group to executives and then engage management in setting, approving and overseeing the execution of the business strategy and related policies. We review risk and compliance, legal, and health and safety matters frequently in our Board meetings. We also review other areas over the course of the financial year including the Company & Group's financial and operational performance; stakeholder-related matters; diversity and inclusivity; and corporate responsibility matters. This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

The views and the impact of Cloudreach's activities on Cloudreach's stakeholders (including its workforce, customers and suppliers) are an important consideration for us when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both the stakeholders and the Cloudreach Group means that generally stakeholder engagement best takes place at an operational or Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company.

During the period we continued to receive information to help us understand the interests and views of the Company & Group's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk, environment, social & governance matters and the outcomes of specific pieces of engagement. As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote success of the Company & Group.

## Strategic Report *(continued)*

### Future Developments

As outlined above, it is estimated that the worldwide market size for the Cloud Systems IaaS market will grow significantly into at least 2023. Cloudreach is reorganised to position itself for rapid growth across all aspects of the cloud consulting, management, platform and software markets. It has invested significantly in staff, systems and infrastructure, and is extremely focused on executing its grown plan by leveraging its strong market position and the calibre and ambition of its people.

By order of the board



Mr W Donoyan  
Director

31 March 2022

3rd Floor, Saffron House  
6- 10 Kirby Street  
London  
EC1N 8TS

## Directors' Report

The directors present their annual report and financial statements in respect of the year ended 31 July 2021.

### Principal activities

Cloudreach Acquisitions Limited ("the Company") and its subsidiary companies (together, "the Group") provide IT solutions for Cloud computing.

### Proposed dividend

The directors do not recommend the payment of a dividend (2020: *£nil*).

### Directors

The directors who held office during the year were as follows:

Mr C Bunch (resigned 31 August 2020)

Mr D Faure (resigned 7 January 2022)

Mrs R Orpwood

On 3 January 2022 Atos became the controlling party of the Group. Mr C Van Doren and Mr W Donovan were appointed as directors on 14 January 2022.

### Employees

At 31 July 2021, staff numbers totalled 604 (2020: 633).

### Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2020: *£nil*).

### Going concern

Notwithstanding consolidated net current liabilities of £92,846,000 (company - net current assets £9,568,000) as at 31 July 2021, a consolidated loss for the year then ended of £23,680,000 (company – profit of £334,000), consolidated operating cash outflows for the year of £6,179,000 and the significant challenges posed by the current global COVID-19 crisis, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for the period to 31 July 2023 which indicate that, taking account of reasonably plausible downsides, the company and the group will have sufficient funds to meet their liabilities as they fall due for that period.

Those forecasts are dependent on Cloudreach Topco Limited not seeking repayment of the amounts currently due by the group and company, which at 31 July 2021 amounted to £131,985,000 (company - £391,000) and providing additional financial support during that period. Cloudreach Topco Limited has indicated its intention to continue to make available such funds as are needed by the group and company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company and group placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The directors of Cloudreach Topco Limited have prepared cash flow forecasts for the period to 31 July 2023 which indicate that, taking account of reasonably plausible downsides, Cloudreach Topco Limited will have sufficient funds, through funding from its ultimate controlling party, Blackstone L.P., to meet its liabilities as they fall due and to continue to provide additional financial support to the company for that period.

## Directors' Report *(continued)*

### Going concern *(continued)*

This forecasting has included modelling the potential impact to the group of any severe but reasonably plausible downsides to the future revenue pipeline, conversion to sales, and, associated consequences to the company's and group's cash flows. The directors' and Group's Risk Council are closely monitoring on a daily basis the potential impacts of COVID-19, both operational and financial, to the group's business. With the majority of companies worldwide having to adopt agile/remote working policies and practices with their employees and broader stakeholder group COVID-19 has actually resulted in higher new demand for cloud based systems and a further acceleration of company data and system migrations to the cloud which is increasing the market in which Cloudreach operates.

In preparing these financial statements the directors have considered the uncertainties relating to this transaction. The change in ownership of the company and the group means that the directors are unable to assess or control all scenarios for the company's or group's future, including its funding, the post-sale group structure or the impact on intercompany balances. In forming their conclusion, the directors have made appropriate inquiries of Blackstone L.P. and have not identified any matters which impact its conclusions regarding the ability of the company to continue as a going concern.

Based on this scenario the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the circumstances relating to the change in ownership represent a material uncertainty that may cast significant doubt on the company's and group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

On 7 December 2021 Blackstone L.P. entered a sale contract with Atos. The transaction completed on 3 January 2022 resulting in Atos becoming the controlling party of the group.

### Streamlined Energy and Carbon Reporting

Streamlined Energy and Carbon Reporting is presented in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The data collected includes the emissions for the UK operations of the Cloudreach Group. UK Government (Greenhouse Gas) Conversion Factors were used to calculate carbon emissions and offsets, from primary data (meter readings and invoices). The 2019-2020 financial year will be used as the base period, going forward. The chosen intensity measurement is tonnes CO<sub>2</sub>e per employee. The intensity ratio was calculated by dividing total GHG emissions (tonnes) by total employees for the financial year 1 August 2020 – 31 July 2021. Scope 3, which is in relation to the voluntary disclosure of indirect operational emissions have not been disclosed for this financial year.

<b>Scope 1</b>	<b>Units</b>	<b>2021</b>	<b>2020</b>
Combustion of natural gas in stationary/mobile equipment*	kWh	<b>133,286</b>	133,625
Combustion of natural gas in stationary/mobile equipment	tCO <sub>2</sub> e	<b>24.41</b>	24.57
<b>Scope 2</b>			
Emissions from purchased electricity	kWh	<b>50,805</b>	106,386
Emissions from purchased electricity	tCO <sub>2</sub> e	<b>10.79</b>	24.80
<b>Totals</b>			
Consumption	kWh	<b>184,091</b>	240,011
Emissions	tCO <sub>2</sub> e	<b>35.20</b>	49.37
Average number of employees		<b>627</b>	722
Chosen intensity measure	tCO <sub>2</sub> e per employee	<b>0.06</b>	0.07

\*Note that gas usage data was not available for all locations. Where unavailable an estimate was made based on the proportion of electricity usage for that location in comparison the other locations.

## **Directors' Report** *(continued)*

### **Post balance sheet events**

On 7 December 2021 Blackstone L.P. entered a sale contract with Atos. The transaction completed on 3 January 2022 resulting in Atos becoming the controlling party of the group.

Other than the above, there are no subsequent events post the balance sheet date and prior to the date of signing these accounts that would have a material impact on the results reported or the financial position of the Company or Group.

### **Disclosure of information to auditor**

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

### **Other information**

An indication of likely future developments in the business and particulars of significant events that have occurred since the end of the financial period have been included in the Strategic Report.

### **Auditor**

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

By order of the board

  
**Mr W Donovan**  
*Director*

3rd Floor, Saffron House  
6-10 Kirby Street  
London  
EC1N 8TS

31 March 2022

## **Statement of directors' responsibilities in respect of the Strategic Report, the Directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 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 and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Cloudreach Acquisitions Limited**

### **Opinion**

We have audited the financial statements of Cloudreach Acquisitions Limited ("the company") for the year ended 31 July 2021 which comprise the Consolidated Profit and Loss account, the Consolidated Balance sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Material uncertainty related to going concern**

We draw attention to the Director's Report in the financial statements which indicates that Blackstone L.P. has entered into an agreement that will result in a change in ownership of the Group. These events and conditions, along with the other matters explained in note 1.2, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### **Going Concern Basis of Preparation**

The Directors have prepared the financial statement on a going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists. Based on our financial statements audit work, we consider the directors use of the going concern basis of accounting in the preparation of the financial statements to be appropriate.

### **Fraud and breaches of laws and regulations – ability to detect**

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

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

## **Independent auditor's report to the members of Cloudreach Acquisitions Limited**

*(continued)*

As required by auditing standards, we performed procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue stream is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

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

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

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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

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

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

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

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

## **Independent auditor's report to the members of Cloudreach Acquisitions Limited**

*(continued)*

### **Strategic report and directors' report**

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

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

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

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

## **Independent auditor's report to the members of Cloudreach Acquisitions Limited**

*(continued)*

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

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



**Bruce Marks (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
319 St Vincent Street,  
Glasgow,  
G2 5AS

31 March 2022

**Consolidated Profit and Loss Account and Other Comprehensive income**  
*for the year ended 31 July 2021*

	<i>Note</i>	<b>2021</b> <b>£000</b>	2020 £000
Turnover	3	168,579	122,156
Cost of sales		<b>(140,643)</b>	<b>(99,979)</b>
<b>Gross profit</b>		<b>27,936</b>	<b>22,177</b>
Other income		103	539
Administrative expenses		<b>(47,779)</b>	<b>(57,294)</b>
<b>Operating loss</b>	4	<b>(19,740)</b>	<b>(34,578)</b>
Impairment of intangible assets	11	-	(23,645)
Interest receivable and similar charges	7	313	1,041
Interest payable and similar charges	8	<b>(9,032)</b>	<b>(8,082)</b>
<b>Loss on ordinary activities before taxation</b>		<b>(28,459)</b>	<b>(65,264)</b>
Tax on loss on ordinary activities	9	7,254	8,315
<b>Loss for the financial period</b>		<b>(21,205)</b>	<b>(56,949)</b>
<b>Other comprehensive income</b>			
Foreign exchange differences on translation of foreign operations		<b>(2,475)</b>	(1,630)
<b>Total comprehensive loss for the period</b>		<b>(23,680)</b>	<b>(58,579)</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.


The accompanying notes on pages 23 to 44 form part of these financial statements.

**Consolidated Balance Sheet**  
*as at 31 July 2021*

	<i>Note</i>	<b>2021</b> <b>£000</b>	<b>2021</b> <b>£000</b>	2020 £000	2020 £000
<b>Fixed assets</b>					
Intangible assets	11		79,311		88,748
Tangible assets	12		555		823
			<u>79,866</u>		<u>89,571</u>
<b>Current assets</b>					
Debtors (including £18,650k (2020: £11,533k) due after more than one year)	14	59,572		51,372	
Cash at bank and in hand	15	11,437		6,646	
		<u>71,009</u>		<u>58,018</u>	
<b>Creditors: amounts falling due within one year</b>	16	<b>(163,855)</b>		<b>(142,169)</b>	
<b>Net current liabilities</b>			<b>(92,846)</b>		<b>(84,151)</b>
<b>Total assets less current liabilities</b>			<b>(12,980)</b>		<b>5,420</b>
<b>Creditors: amounts falling due after more than one year</b>	17		<b>(677)</b>		<b>(726)</b>
<b>Net (liabilities)/assets</b>			<b>(13,657)</b>		<b>4,694</b>
<b>Capital and reserves</b>					
Called up share capital	19		99,814		99,814
Share premium account	19		21,649		21,649
Share option reserve			465		86
Foreign exchange reserve			2,989		514
Profit and loss account			(138,574)		(117,369)
<b>Shareholders' funds</b>			<b>(13,657)</b>		<b>4,694</b>

The accompanying notes on pages 23 to 44 form part of these financial statements.

These financial statements were approved by the board of directors on 31 March 2022 and were signed on its behalf by:

  
Mr W Donovan  
Director

Company registered number: 10590576

**Company Balance Sheet**  
*as at 31 July 2021*

	<i>Note</i>	<b>2021</b> <b>£000</b>	<b>2021</b> <b>£000</b>	2020 £000	2020 £000
<b>Fixed assets</b>					
Investments	<i>13</i>		<b>99,989</b>		99,989
			<hr/>		<hr/>
			<b>99,989</b>		99,989
<b>Current assets</b>					
Debtors	<i>14</i>	<b>10,370</b>		9,787	
		<hr/>		<hr/>	
<b>Creditors: amounts falling due within one year</b>	<i>16</i>	<b>10,370</b> <b>(802)</b>		9,787 (553)	
		<hr/>		<hr/>	
<b>Net current assets</b>			<b>9,568</b>		9,234
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			<b>109,557</b>		109,223
			<hr/>		<hr/>
<b>Net assets</b>			<b>109,557</b>		109,223
			<hr/> <hr/>		<hr/> <hr/>
<b>Capital and reserves</b>					
Called up share capital	<i>19</i>		<b>99,814</b>		99,814
Share premium account	<i>19</i>		<b>21,649</b>		21,649
Profit and loss account			<b>(11,906)</b>		(12,240)
			<hr/>		<hr/>
<b>Shareholders' funds</b>			<b>109,557</b>		109,223
			<hr/> <hr/>		<hr/> <hr/>

The accompanying notes on pages 23 to 44 form part of these financial statements.

These financial statements were approved by the board of directors on 31 March 2022 and were signed on its behalf by:

  
**Mr W Donovan**  
*Director*

Company registered number: 10590576

## Consolidated Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Foreign exchange reserve £000	Share option reserve £000	Profit & loss account £000	Total equity £000
<b>Balance as at 1 August 2019</b>	99,741	15,420	(1,116)	-	(60,420)	53,625
<b>Total comprehensive income for the year</b>						
Loss for the financial year	-	-	-	-	(56,949)	(56,949)
Foreign exchange differences	-	-	1,630	-	-	1,630
<b>Total comprehensive loss for the period</b>	-	-	1,630	-	(56,949)	(55,319)
<b>Transactions with owners, recorded directly in equity</b>						
Shares issued during the year	73	6,229	-	-	-	6,302
Equity-settled share based payment transactions	-	-	-	86	-	86
<b>Total contributions by owners</b>	73	6,229	-	86	-	6,388
<b>Balance at 31 July 2020</b>	99,814	21,649	514	86	(117,369)	4,694
<b>Balance at 1 August 2020</b>	99,814	21,649	514	86	(117,369)	4,694
<b>Total comprehensive income for the year</b>						
Loss for the financial year	-	-	-	-	(21,205)	(21,205)
Foreign exchange differences	-	-	2,475	-	-	2,475
<b>Total comprehensive loss for the period</b>	-	-	2,475	-	(21,205)	(18,730)
<b>Transactions with owners, recorded directly in equity</b>						
Shares issued during the year	-	-	-	-	-	-
Equity-settled share based payment transactions	-	-	-	379	-	379
<b>Total contributions by owners</b>	-	-	-	379	-	379
<b>Balance at 31 July 2021</b>	99,814	21,649	2,989	465	(138,574)	(13,657)

The accompanying notes on pages 23 to 44 form part of these financial statements.

## Company Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Profit & loss account £000	Total equity £000
<b>Balance as at 1 August 2019</b>	<b>99,741</b>	<b>15,420</b>	<b>(12,535)</b>	<b>102,626</b>
<b>Total comprehensive income for the period</b>				
Profit for the financial year	-	-	295	295
Total comprehensive income for the year	-	-	295	295
<b>Transactions with owners, recorded directly in equity</b>				
Shares issued during the year	73	6,229	-	6,302
Total contributions by owners	73	6,229	-	6,302
<b>Balance at 31 July 2020</b>	<b>99,814</b>	<b>21,649</b>	<b>(12,240)</b>	<b>109,223</b>
Balance at 1 August 2020	99,814	21,649	(12,240)	109,223
<b>Total comprehensive income for the period</b>				
Loss for the financial year	-	-	334	334
Total comprehensive income for the year	-	-	334	334
<b>Transactions with owners, recorded directly in equity</b>				
Shares issued during the year	-	-	-	-
Total contributions by owners	-	-	-	-
<b>Balance at 31 July 2021</b>	<b>99,814</b>	<b>21,649</b>	<b>(11,906)</b>	<b>109,557</b>

The accompanying notes on pages 23 to 44 form part of these financial statements.

**Consolidated Cash Flow Statement**  
*for period ended 31 July 2021*

	<i>Note</i>	<b>2021</b> £000	2020 £000
<b>Cash flows from operating activities</b>			
Loss for the period		<b>(21,205)</b>	(56,949)
<i>Adjustments for:</i>			
Depreciation	<i>12</i>	<b>460</b>	694
Amortisation of intangible assets	<i>11</i>	<b>9,702</b>	7,690
Impairment of intangibles assets	<i>11</i>	-	23,645
Other income		<b>(103)</b>	(540)
Unrealised foreign exchange losses		<b>4,002</b>	2,273
Interest receivable and similar income	<i>7</i>	<b>(132)</b>	(1,041)
Interest payable and similar charges	<i>8</i>	<b>5,238</b>	4,918
Non-cash remuneration		<b>379</b>	86
Taxation	<i>9</i>	<b>(7,254)</b>	(8,315)
		<b>(8,913)</b>	(27,539)
Decrease in trade and other debtors	<i>14</i>	<b>(305)</b>	(1,198)
Movement in dilapidations provision		<b>(181)</b>	-
Increase / (Decrease) in trade and other creditors	<i>16/17</i>	<b>2,944</b>	(6,315)
		<b>(6,455)</b>	(35,052)
Tax received		<b>144</b>	133
Interest received	<i>7/8</i>	<b>132</b>	24
<b>Net cash outflow from operating activities</b>		<b>(6,179)</b>	(34,895)
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets	<i>11</i>	<b>(540)</b>	(27,915)
Acquisition of tangible fixed assets	<i>12</i>	<b>(219)</b>	(138)
<b>Net cash outflow from investing activities</b>		<b>(759)</b>	(28,053)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		-	6,302
Repayments of from parent company borrowings		<b>(697)</b>	(523)
Interest-bearing loan advance from parent company		<b>12,426</b>	42,464
Interest-bearing loan advance from related party	<i>23</i>	-	21,704
Interest-bearing loan advance to related party	<i>23</i>	-	(3,079)
<b>Net cash inflow from financing activities</b>		<b>11,729</b>	66,868
Net increase in cash and cash equivalents	<i>15</i>	<b>4,791</b>	3,920
Cash and cash equivalents at 1 August	<i>15</i>	<b>6,646</b>	2,726
<b>Cash and cash equivalents at 31 July</b>	<i>15</i>	<b>11,437</b>	6,646

The accompanying notes on pages 23 to 44 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Cloudreach Acquisitions Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK (registered number 10590576). The registered address is 3rd Floor, Saffron House, 6-10 Kirby Street, London, EC1N 8TS.

The Company was incorporated on 30 January 2017 and commenced trading on 15 February 2017.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is sterling. Unless otherwise stated, all amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time,
- Certain disclosures required by FRS 102.26 Share Based Payments; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

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

In line with FRS 102 related party transactions between wholly-owned subsidiaries and with the parent company have not been disclosed separately.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

Notwithstanding consolidated net current liabilities of £92,846,000 (company - net current assets £9,568,000) as at 31 July 2021, a consolidated loss for the year then ended of £23,680,000 (company – profit of £334,000), consolidated operating cash outflows for the year of £6,179,000 and the significant challenges posed by the current global COVID-19 crisis, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for the period to 31 July 2023 which indicate that, taking account of reasonably plausible downsides, the company and the group will have sufficient funds to meet their liabilities as they fall due for that period.

Those forecasts are dependent on Cloudreach Topco Limited not seeking repayment of the amounts currently due by the group and company, which at 31 July 2021 amounted to £131,985,000 (company - £391,000) and providing additional financial support during that period. Cloudreach Topco Limited has indicated its intention to continue to make available such funds as are needed by the group and company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company and group placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **1.2 Going concern** *(continued)*

The directors of Cloudeach Topco Limited have prepared cash flow forecasts for the period to 31 July 2023 which indicate that, taking account of reasonably plausible downsides, Cloudeach Topco Limited will have sufficient funds, through funding from its ultimate controlling party, Blackstone L.P., to meet its liabilities as they fall due and to continue to provide additional financial support to the company for that period.

This forecasting has included modelling the potential impact to the group of any severe but reasonably plausible downsides to the future revenue pipeline, conversion to sales, and, associated consequences to the company's and group's cash flows. The directors' and Group's Risk Council are closely monitoring on a daily basis the potential impacts of COVID-19, both operational and financial, to the group's business. With the majority of companies worldwide having to adopt agile/remote working policies and practices with their employees and broader stakeholder group COVID-19 has actually resulted in higher new demand for cloud based systems and a further acceleration of company data and system migrations to the cloud which is increasing the market in which Cloudeach operates.

In preparing these financial statements the directors have considered the uncertainties relating to this transaction. The change in ownership of the company and the group means that the directors are unable to assess or control all scenarios for the company's or group's future, including its funding, the post-sale group structure or the impact on intercompany balances. In forming their conclusion, the directors have made appropriate inquiries of Blackstone L.P. and have not identified any matters which impact its conclusions regarding the ability of the company to continue as a going concern.

Based on this scenario the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the circumstances relating to the change in ownership represent a material uncertainty that may cast significant doubt on the company's and group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

On 7 December 2021 Blackstone L.P. entered a sale contract with Atos. The transaction completed on 3 January 2022 resulting in Atos becoming the controlling party of the group.

#### **1.3 Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 July 2021. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

## **Notes** *(continued)*

### **1** **Accounting policies** *(continued)*

#### **1.4** **Foreign currency**

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

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on re-translation are recognised in other comprehensive income.

#### **1.5** **Basic financial instruments**

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Investments in subsidiaries*

Investments in subsidiaries are carried at cost less impairment.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

#### **1.6** **Intangible Assets**

##### **Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Income Statement over its useful economic life which is 15 years.

The estimate of the useful economic life of goodwill is based on a variety of factors such as the expected use of the acquired business and the expected useful life of the cash generating units to which the goodwill is attributed.

##### **Software assets**

The cost of software implementations are capitalised if the fair value can be measured reliably at acquisition date.

## Notes (continued)

### 1.6 Intangible Assets (continued)

#### Other intangible assets

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date. Intangible assets relating to supplier relationships have been recognised as a result of a business combination in February 2017.

#### Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of software assets and other intangible assets. The estimated useful lives are as follows:

- Software assets - 3 to 4 years
- Supplier Relationships - 15 years

The basis for choosing the useful life of the software assets is the period over which the software is expected to be utilised by the business.

The basis for choosing the useful lives of supplier relationships is the strength of the partner relationships and the period over which they are expected to be consumed by the business.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

### 1.7 Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Tangible fixed assets are classified as Capital Work in Progress and not depreciated until such time as they are completed and utilised within the Group.

The estimated useful lives are as follows:

Computer equipment	-	50% straight line
Office equipment	-	33% straight line
Fixtures and fittings	-	20% straight line
Leasehold improvements	-	over the life of the lease

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### Dilapidations

The estimated cost of dilapidations is recognised in leasehold improvements and provisions when the obligation arises, and the liability can be reliably estimated. Under the lease agreement, the lessee is obliged to remove assets that it has installed in the lease property. The asset is depreciated in line with the lease term.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.8 Business combinations

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

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

#### 1.9 Employee benefits

##### *Defined contribution plans and other long term employee benefits*

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

##### *Employee share purchase plans*

The cost of equity-settled transactions with employees is measured, where appropriate, with reference to the fair value at the date on which they are granted and cash-settled. A corresponding increase in equity is recorded and shares issued.

##### *Share-based payment transactions*

Share-based payment arrangements in which the entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the entity.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

#### 1.10 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.11 Turnover

Turnover represents amounts receivable for services net of VAT and trade discounts.

The Group has both recurring and project-based revenues. Recurring revenues are recognised in accordance with the period of time to which they relate. For projects which commence and are completed during the year, the revenue is recognised in full during the year. For projects which are contracted but not completed at the year end, the year's revenue is recognised based on the percentage of completion method with reference to time completed towards project milestones.

#### 1.12 Expenses

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

##### *Interest receivable and Interest payable*

Interest payable and similar charges includes interest payable, net foreign exchange losses and finance leases recognised in the profit and loss account using the effective interest method, and the unwinding of the discount on provisions.

Interest receivable and similar income include interest receivable on funds invested, finance income on provisions for dilapidations and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

#### 1.13 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes (continued)

### 2 Significant accounting judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

#### *Intangible assets*

The estimated useful life of the Group's goodwill assets reflects the expected useful lives to the Group of the cash-generating assets purchased. The estimated life of the Group's supplier relationship intangible asset reflects management's estimate of the strength of the Group's Cloud partner relationships and the period over which they are expected to be consumed by the business. The estimated useful lives assigned to capitalised software projects reflects management's estimate of the period over which the software is expected to be utilised by the Company.

The carrying value of goodwill assets of the Group has been assessed by comparing the carrying value to a market valuation based on fair value less costs to sell. Management have estimated the market valuations using forecast future turnover and a revenue multiplier, based on recent third party market sales of businesses comparable to the Group. The allowance for costs to sell has also been based on comparable market data.

#### *Fixed asset investments*

Investments in the Company's wholly owned subsidiaries have been assessed by comparing the carrying value to a market valuation based on fair value less costs to sell. Management have estimated the market valuations using forecast future turnover and a revenue multiplier, based on recent third party market sales of businesses comparable to the Group. The allowance for costs to sell has also been based on similar market data.

#### *Tangible assets*

The estimated useful lives assigned to tangible assets reflects management's estimate of the period over which the assets are expected to be utilised by the Company.

#### *Trade debtors*

The amount recognised for trade debtors reflects management's estimate of the likely amount recoverable after providing for trade debtor accounts that have been judged to be unrecoverable.

#### *Prepayments and accrued income*

The amount recognised as prepayments and accrued income reflects management's estimate as to the future amount of billable income recoverable to the Company for goods and services rendered prior to balance date.

#### *Deferred tax asset*

The amount recognised as a deferred tax assets is estimated to be recoverable and utilised against future taxable income of the Company.

#### *Provisions for liabilities*

This reflects management's estimate of amounts required to settle obligations of the Company that exist as at balance date.

**Notes (continued)**

**3 Turnover**

An analysis of turnover by geographical segment and activity has not been included as in the opinion of the directors such disclosure would be prejudicial to the interests of the Group. All revenue has been generated through the rendering of services.

**4 Expenses and auditor's remuneration**

	2021	2020
	£000	£000
<i>Operating loss is stated after charging:</i>		
Depreciation of tangible assets	460	694
Amortisation of intangible assets, including goodwill	9,702	7,690
Impairment of goodwill	-	23,645
Operating lease rentals	2,424	3,317
<i>Auditor's remuneration:</i>		
Audit of these financial statements	115	105
Amounts receivable by the company's auditor and its associates in respect of: Audit of financial statements of subsidiaries of the company	105	95
	-----	-----

**5 Remuneration of directors**

	2021	2020
	£000	£000
Directors' emoluments	486	898
Company contribution to defined contribution scheme	22	21
	-----	-----
	508	919

There were three directors during 2021 (2020: four). The aggregate of remuneration of the highest paid director was £250,000 (2020: £440,000). Pension contributions were made on the behalf of the Directors by the Group during the year of £22,000 (2020: £21,000).

**6 Staff numbers and costs**

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

	Group 2021	Group 2020
Engineers	418	463
Administrative and operations Staff	209	259
	-----	-----
	627	722

**Notes** *(continued)*

**6 Staff numbers and costs** *(continued)*

The aggregate payroll costs of these persons were as follows:

	<b>2021</b>	2020
	<b>£000</b>	£000
Wages and salaries, including commissions and bonuses	<b>55,842</b>	66,150
Share based payment charge	<b>386</b>	83
Social security costs	<b>2,663</b>	3,085
Other pension costs	<b>1,470</b>	1,832
Other benefits	<b>1,112</b>	469
	<u><b>61,473</b></u>	<u>71,619</u>

**7 Interest receivable and similar charges**

	<i>Note</i>	<b>2021</b>	2020
		<b>£000</b>	£000
Bank interest		<b>28</b>	29
Finance income		<b>181</b>	-
Interest receivable on directors' loan	24	-	7
Interest receivable on employee loan advances		-	3
Interest receivable from parent company		<b>104</b>	83
Interest receivable from related party	24	-	919
		<u><b>313</b></u>	<u>1,041</u>

**8 Interest payable and similar charges**

	<i>Note</i>	<b>2021</b>	2020
		<b>£000</b>	£000
Net foreign exchange losses		<b>3,775</b>	3,164
Interest payable to parent company		<b>5,230</b>	4,715
Interest payable to related party	24	-	174
Finance expense		<b>19</b>	29
Bank interest		<b>8</b>	-
		<u><b>9,032</b></u>	<u>8,082</u>

## Notes (continued)

### 9 Taxation

Total tax benefit recognised in the profit and loss account, other comprehensive income and equity

	2021 £000	2021 £000	2020 £000	2020 £000
<i>Current tax</i>				
Current tax expense on income for the period		616		674
Current tax expense on outstanding directors' loan		-		-
		<u>616</u>		<u>674</u>
<i>Deferred tax (see note 18)</i>				
Origination and reversal of timing differences	(7,870)		(8,989)	
	<u>(7,870)</u>		<u>(8,989)</u>	
Total deferred tax		(7,870)		(8,989)
Total tax		<u>(7,254)</u>		<u>(8,315)</u>

	Current tax £000	2021 Deferred tax £000	Total tax £000	Current tax £000	2020 Deferred tax £000	Total tax £000
Recognised in Profit and loss account	616	(7,870)	(7,254)	674	(8,989)	(8,315)
	<u>616</u>	<u>(7,870)</u>	<u>(7,254)</u>	<u>674</u>	<u>(8,989)</u>	<u>(8,315)</u>
Total tax	<u>616</u>	<u>(7,870)</u>	<u>(7,254)</u>	<u>674</u>	<u>(8,989)</u>	<u>(8,315)</u>

*Analysis of current tax recognised in profit and loss*

	2021 £000	2020 £000
UK corporation tax	-	-
Foreign tax	616	674
	<u>616</u>	<u>674</u>
Total current tax recognised in profit and loss	<u>616</u>	<u>674</u>

## Notes (continued)

### 9 Taxation (continued)

#### Reconciliation of effective tax rate

	2021 £000	2020 £000
Loss for the year	(21,205)	(56,949)
Total tax benefit	(7,254)	(8,315)
	<hr/>	<hr/>
Loss excluding taxation	(28,459)	(65,264)
Tax using the UK corporation tax rate of 19% (2019: 19%)	(5,407)	(12,400)
Effect of tax rates in foreign jurisdictions	155	(24)
Reduction in tax rates	(3,858)	(528)
Tax effects of:		
Non-deductible expenses	2,391	1,905
Non-deductible impairment expense	-	4,494
Current year losses for which no deferred tax asset is recognised	(13)	-
Deferred tax credit from unrecognised temporary difference from a prior period	(352)	(2,341)
Increase arising from group tax relief reconciliation	907	873
Effect of release of deferred tax liability recognised on intangibles as part of a business combination	(577)	(577)
Changes in estimates related to prior period	(572)	262
Other items	72	21
	<hr/>	<hr/>
Total tax credits included in profit or loss	(7,254)	(8,315)
	<hr/> <hr/>	<hr/> <hr/>

#### Factors affecting the future current and total tax charges

The UK Corporation tax rate for the current year is consistent with the prior year which is 19% from 1 April 2017. The US Federal corporate income tax rates changed to 21% from 1 January 2018 and remained the same throughout the current year.

The UK Finance Act 2021 announced increases to the UK corporation tax rate, which is proposed to increase to 25% from 1 April 2023. This change was substantively enacted on 24 May 2021 and has therefore been reflected in the valuation of relevant deferred tax balances recognised in these financial statements.

Deferred Tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

### 10 Loss of parent company

As permitted by section 408 of the Companies Act 2006, the Profit and Loss statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £334,000 (2020: £295,000). The parent company's loss for the financial year includes an impairment charge of £nil (2020: £72,000).

**Notes** *(continued)*

**11 Intangible assets**

<b>Group</b>	<b>Supplier relationships £000</b>	<b>Goodwill £000</b>	<b>Software £000</b>	<b>Total £000</b>
<i>Cost</i>				
At beginning of year	50,876	86,553	755	138,184
Additions	-	-	540	540
Effects of movements in foreign exchange	-	(353)	-	(353)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	50,876	86,200	1,295	138,371
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated amortisation and impairment</i>				
At beginning of year	11,729	37,302	405	49,436
Charge for the year	3,392	5,984	326	9,702
Effects of movements in foreign exchange	-	(78)	-	(78)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	15,121	43,208	731	59,060
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
<b>At 31 July 2021</b>	<b>35,755</b>	<b>42,992</b>	<b>564</b>	<b>79,311</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2020	39,147	49,251	350	88,748
	<hr/>	<hr/>	<hr/>	<hr/>

The amortisation charge for the year is included within Administrative expenses in the Profit and Loss Account.

## Notes (continued)

### 12 Tangible fixed assets

Group	Computer equipment £000	Fixtures, fittings, tools & equipment £000	Leasehold improvements £000	Total £000
<i>Cost</i>				
At beginning of year	750	390	937	2,077
Additions	215	4	-	219
Disposals	(580)	(136)	(216)	(932)
Effects of movements in foreign exchange	(38)	(10)	(12)	(60)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	347	248	709	1,304
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>				
At beginning of year	509	235	510	1,254
Charge for the year	267	82	111	460
Disposals	(576)	(121)	(216)	(913)
Effects of movements in foreign exchange	(34)	(8)	(10)	(52)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	166	188	395	749
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>				
At 31 July 2021	181	60	314	555
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2020	241	155	427	823
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

### 13 Fixed asset investments

<b>Share in group undertakings</b>	<b>£000</b>
<i>Cost</i>	
At beginning of year	99,989
Additions	-
Impairment charge	-
	<hr/>
At end of year	99,989
	<hr/> <hr/>
<i>Net, book value</i>	
At 31 July 2021	99,989
	<hr/> <hr/>
At 31 July 2020	99,989
	<hr/> <hr/>

**Notes** (continued)

**13 Fixed asset investments** (continued)

Company	Country of registration or incorporation	Class	Shares held %
Cloudreach Holdings Limited	United Kingdom	Ordinary	100
Cloudreach Europe Limited	United Kingdom	Ordinary	100
Cloudreach Inc.	United States	Ordinary	100
Cloudreach Canada Inc.	Canada	Ordinary	100
Cloudreach GmbH	Germany	Ordinary	100
Cloudreach SAS	France	Ordinary	100
Cloudreach BV	Netherlands	Ordinary	100
Cloudreach Switzerland GmbH	Switzerland	Ordinary	100
Cloudreach AB	Sweden	Ordinary	100
Cloudamize Inc.	United States	Ordinary	100
Cloudreach Technologies Private Limited	India	Ordinary	100
Relus Acquisitions LLC	United States	Ordinary	100

The aggregate amount of capital and reserves and the results of the undertakings for the financial year were as follows:

	Principal activity	Capital & Reserves 2021 £000	Profit / (loss) 2021 £000
Cloudreach Holdings Limited	Holding company	11,594	(1,883)
Cloudreach Europe Limited	IT solutions for cloud computing	(57,160)	(10,620)
Cloudreach Inc.	IT solutions for cloud computing	(10,804)	(2,132)
Cloudreach Canada Inc.	IT solutions for cloud computing	546	178
Cloudreach GmbH	IT solutions for cloud computing	2,508	928
Cloudreach SAS	IT solutions for cloud computing	1,100	317
Cloudreach BV	IT solutions for cloud computing	850	168
Cloudreach Switzerland GmbH	IT solutions for cloud computing	461	118
Cloudreach AB	IT solutions for cloud computing	(2)	(6)
Cloudamize Inc.	Software solutions for cloud computing	(8,115)	540
Cloudreach Technologies Private Ltd	Software solutions for cloud computing	435	187
Relus Acquisitions LLC	IT solutions for cloud computing	(21,073)	(780)

Subsidiary registered addresses are as follows:

Cloudreach Holdings Limited	3rd Floor Saffron House, 6-10 Kirby Street, London, EC1N 8TS
Cloudreach Europe Limited	3rd Floor Saffron House, 6-10 Kirby Street, London, EC1N 8TS
Cloudreach Inc.	9 E. Loockerman Street, Suite 311, Dover, DE 19901, USA
Cloudreach Canada Inc.	2800 Park Place, 666 Burrard Street, Vancouver, BC, V6C 2Z7
Cloudreach GmbH	Landsberger Str. 300, 80687 München, Germany
Cloudreach SAS	145 boulevard Haussmann 75008 Paris, France
Cloudreach BV	Cloudreach B.V., Herengracht 141, 1015 BH Amsterdam, The Netherlands
Cloudreach Switzerland GmbH	Landiz +Gyr-Strasse 1, 6300, Zug, Switzerland
Cloudreach AB	c/o Intertrust, Box 16285, 103 25 Stockholm, Sweden
Cloudamize Inc	9 E. Loockerman Street, Suite 311, Dover, DE 19901, USA
Cloudreach Technologies Private Ltd	S No 80 Vinode Wasti, Marunji Road, Wakad, Pune, MH 411057, India
Relus Acquisition LLC	9 E-Loockerman Street, Suite 311, Dover, DE 19001, USA

## Notes (continued)

### 14 Debtors

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade debtors	26,374	20,387	-	-
Amounts owed by parent company	2,928	2,127	-	-
Amounts owed by group undertakings	-	-	10,370	9,778
Other debtors	54	289	-	9
Prepayments and accrued income	11,987	17,390	-	-
Employee and director loans	-	202	-	-
Deferred tax asset	18,229	10,977	-	-
Amounts owed from related party	-	-	-	-
	<u>59,572</u>	<u>51,372</u>	<u>10,370</u>	<u>9,787</u>

The amounts owed to the Company from group undertakings and to the Group from the parent company and the related party are not expected to be repaid within the next 12 months. A market rate of interest is charged each quarter.

Total debtors include prepayments and accrued income of £421,000 (2020: £566,000), and deferred tax assets of £18,229,000 (2020: £10,977,000) due after more than one year in respect of the Group. The employee loan was repaid during the year.

### 15 Cash at bank and in hand

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Cash at bank and in hand	11,437	6,330	-	-
Security deposits (restricted cash)	-	316	-	-
	<u>11,437</u>	<u>6,646</u>	<u>-</u>	<u>-</u>

Restricted cash includes security deposits for offices and credit cards.

### 16 Creditors: amounts falling due within one year

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade creditors	20,665	14,895	-	33
Taxation and social security	1,629	2,199	-	-
Other creditors	1,924	1,065	34	-
Accruals and deferred income	7,021	8,804	14	15
Amounts owed to parent company	131,985	114,530	391	379
Amounts owed to group undertakings	-	-	363	126
Corporation tax	631	490	-	-
Provision for office remediation costs	-	186	-	-
	<u>163,855</u>	<u>142,169</u>	<u>802</u>	<u>553</u>

The amounts owed from the Company to its subsidiary undertakings and from the Company and Group to the parent company are not expected to be repaid within the next 12 months. A market rate of interest is charged each quarter.

**Notes** (continued)

**17 Creditors: amounts falling due after more than one year**

	<b>Group</b> <b>2021</b> <b>£000</b>	Group 2020 £000	<b>Company</b> <b>2021</b> <b>£000</b>	Company 2020 £000
Other payables	326	388	-	-
Provision for office remediation costs	351	338	-	-
	<u>677</u>	<u>726</u>	<u>-</u>	<u>-</u>

**18 Deferred tax assets and liabilities**

**Group**

Deferred tax assets by taxing authority and jurisdiction are attributable to the following:

	<b>UK</b>	<b>USA</b>	<b>Nether-</b> <b>lands</b>	<b>Group</b>	Group
	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	2020
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Unused tax losses	15,194	9,266	(85)	24,375	17,327
Arising on business combinations	(6,078)	-	-	(6,078)	(6,655)
Other	125	134	90	349	388
Effects of movements in foreign exchange	-	(412)	(5)	(417)	(83)
	<u>9,241</u>	<u>8,988</u>	<u>-</u>	<u>18,229</u>	<u>10,977</u>

Tax losses are deemed recoverable against future profits. Total unrecognised tax losses in the group are £7,698,000 (2020: £10,163,000).

**Notes** *(continued)*

**19 Capital and reserves**

**Share capital**

	<b>2021</b>	2020
	<b>£000</b>	£000
<i>Allotted, called up and fully paid</i>		
99,813,965 Ordinary shares of £1 each	<b>99,814</b>	99,814
	<u>          </u>	<u>          </u>

The company was incorporated on 30 January 2017 and issued and allotted 75,708,929 Ordinary £1 shares in the capital of the company. Further ordinary shares were issued during the year to 31 July 2018.

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.

***Share Premium account***

In April 2017 the company issued 1 ordinary share of £1 to the company's ultimate parent, Cloudreach Topco Limited, for a total consideration of £15,419,970.

In June 2020 the company issued 1,000 ordinary shares of £1 to the company's ultimate parent, Cloudreach Topco Limited, for a total consideration of £6,229,792.

***Other reserves***

***Foreign Exchange Reserve***

The exchange differences arising from the translation of the financial statements of foreign subsidiaries into the presentation currency of the group accounts are taken directly to Other Reserve.

***Share Option Reserve***

In December 2019 the Company launched a share option plan as a retention strategy for employees, other than Executives. The Share Option Reserve comprises the costs of shares in the Company, to the extent that they have not become realised.

**Notes** *(continued)*

**20 Share based payments**

In December 2019 Cloudreach launched a share option plan for employees, other than Executives. Eligible employees across all Cloudreach entities and jurisdictions, were eligible for a grant of C1 ordinary share and C1 preference share options in the stapled ratio of 1 ordinary:99 preference shares. The share option scheme is set to run for 10 years from the date upon which the Topco Board adopted the plan (26 November 2019).

The share options granted represent a right to acquire shares (or cash in lieu of shares) in the future and are designed to deliver capital growth to employees. The options granted vest upon the Board considering that an Exit is likely to occur upon which they will inform the participants that they may exercise their options within a specific timeframe (as determined by the Board) before the Exit occurs.

The initial grant of share options occurred in December 2019.

The number and weighted average exercise prices of share options are as follows:

	<b>C1 Ord Weighted average exercise price 2021 £</b>	<b>C1 Ord Number of options 2021 (thousands)</b>	<b>C1 Pref Weighted average exercise price 2021 £</b>	<b>C1 Pref Number of options 2021 (thousands)</b>
Outstanding at the beginning of the year	15.00	24	1.31	2,330
Granted during the year	15.00	69	1.50	6,918
Exercised during the year	-	-	-	-
Forfeited during the year	15.00	(15)	1.38	(1,486)
Expired during the year	-	-	-	-
	<u>15.00</u>	<u>78</u>	<u>1.46</u>	<u>7,762</u>
Outstanding at the end of the year	15.00	78	1.46	7,762
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Exercisable at the end of the year	-	-	-	-

The fair value of employee share options is measured using the Black-Sholes model. This model has been used in line with generally accepted best practice for valuing share options.

The total expenses recognised for the year and the total liabilities recognised at the end of the year arising from share-based payments are as follows:

	<b>2021 £000</b>	<b>2020 £000</b>
Total share based payment expense	<b>386</b>	<b>83</b>

**Notes** (continued)

**21 Business combinations**

There were no business combinations during 2021.

**2020**

**Acquisition of subsidiaries**

On 30 June 2020, the Group acquired 100% of Relus Acquisitions LLC, previously owned directly by the Group's ultimate parent company Cloudreach Topco Limited.

The acquired company's principal activity is providing IT solutions for cloud computing.

1,000 £1 ordinary shares were issued to Cloudreach Topco Limited for a total consideration of £6,229,792. In calculating the goodwill arising on acquisition, the fair value of the net assets of the above companies was assessed as follows:-

	<b>Book value £000</b>	<b>Fair value £000</b>
Cash	57	57
Total debtors	3,718	3,718
Total creditors	(25,431)	(25,431)
	<hr/>	<hr/>
Total liabilities	(21,656)	(21,656)
	<hr/>	<hr/>
Fair value of net assets	(21,656)	(21,656)
	<hr/> <hr/>	<hr/> <hr/>
<b>Total cost of business combination</b>		<b>£000</b>
Consideration paid:		
Initial cash price paid		6,229
Shares issued		1
		<hr/>
Total consideration		6,230
		<hr/>
Goodwill on acquisition		<b>27,886</b>
		<hr/> <hr/>

**Fair value adjustments**

Immediately after transfer the goodwill was considered impairment and an impairment adjustment of £23,573,000 was made to goodwill to more appropriately reflect the value of the transfer.

**Notes** *(continued)*

**22 Commitments**

Non-cancellable operating lease rentals are payable as follows :

	<b>Group</b>	Group	<b>Company</b>	Company
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>£000</b>	£000	<b>£000</b>	£000
Less than one year	1,771	2,315	-	-
Between one and five years	4,165	3,236	-	-
More than five years	807	1,422	-	-
	<u>6,743</u>	<u>6,973</u>	<u>-</u>	<u>-</u>

During the year £2,424,000 was recognised as an expense in the profit and loss account in respect of operating leases (2020: £3,317,000).

There were no non-cancellable finance lease rentals payable in 2021 or 2020.

**23 Pension scheme**

***Defined contribution pension scheme***

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £1,470,000 (2020: £1,832,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

The Company does not operate a defined contribution pension scheme.

## Notes (continued)

### 24 Related party disclosures

#### Group

##### *Identity of related parties with which the Group has transacted*

###### *Relus Acquisition LLC*

On 30 June 2020 the ownership of Relus Acquisitions LLC was transferred from the Company's ultimate parent company Cloudreach Topco Limited to being a wholly owned subsidiary within the group.

Relus Acquisitions was previously considered a related party by virtue of the Company's ultimate parent undertaking, Cloudreach Topco Limited, having common control over both entities but now falls outside of the requirements to disclose related party transactions.

###### *Cloudreach Topco Limited*

During the year the Group transacted with Cloudreach Topco Limited ("Topco"). The entities are related by virtue of Cloudreach Topco Limited being the ultimate parent company of Cloudreach Acquisitions Limited.

During the year the Group provided executive management strategic and legal support services to Topco. The costs of these services were recharged from the Group to Topco on an arms-length basis and for the year to 31 July 2021 totalled £269,000 (2020: £425,000).

As at 31 July 2021 Cloudreach Europe Limited provided group tax relief from accumulated tax losses to Topco of £907,000 (2020: £873,000).

During the year the Group received unsecured working capital funding from Topco. A market rate of interest on the funding was charged each quarter. Interest payable to Topco from the Group for the year ended 31 July 2021 totalled £5,230,000 (2020: £4,633,000).

As at 31 July 2021 the net balance owed by the Group to Topco, including capitalised interest, was £129,057,000 (2020: £112,404,000). The balance outstanding is repayable on demand.

###### *Transactions with key management personnel*

Total compensation of key management personnel (including the directors) in the year amounted to £2,138,000 (2020: £1,575,000).

## **Notes** *(continued)*

### **24 Related party disclosures** *(continued)*

#### **Company**

The Company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland', not to disclose related party transaction with wholly owned subsidiaries within the group.

#### ***Identity of related parties with which the Company has transacted***

##### *Cloudreach Topco Limited*

During the year the Company received unsecured funding from Topco. A market rate of interest on the funding was charged each quarter. Interest payable to Topco from the Company for the year ended 31 July 2021 totalled £16,000 (2020: £17,000).

As at 31 July 2021 the balance owed by the Company to Topco, including capitalised interest, was £391,000 (2020: £379,000). The balance outstanding is repayable on demand.

### **25 Ultimate parent company and parent undertaking of larger group**

At the balance date, the ultimate controlling party is Blackstone L.P, a company registered in the United States of America. The immediate and ultimate parent company is Cloudreach Topco Limited, a company registered in Jersey.

The smallest level at which consolidated accounts are prepared is Cloudreach Acquisitions Limited level.

### **26 Subsequent events**

On 7 December 2021 Blackstone L.P. entered a sale contract with Atos. The transaction completed on 3 January 2022 resulting in Atos becoming the controlling party of the group.

Other than the above, there are no subsequent events post the balance sheet date and prior to the date of signing these accounts that would have a material impact on the results reported or the financial position of the Company or Group.