

Registered number: 07072194

CLOUDSENSE LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**



CLOUDSENSE LTD

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CLOUDSENSE LTD

COMPANY INFORMATION

Directors	D Dubokovic A R Fuller J W English
Registered number	07072194
Registered office	23-31 Great Titchfield Street London W1W 7PA
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 4th Floor One Reading Central 23 Forbury Road Reading RG1 3JH

CLOUDSENSE LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2021

The directors present the Strategic Report of CloudSense Ltd (the "Company") for the year ended 31 January 2021.

Business review

CloudSense Ltd and its subsidiaries comprise sales and support operations across Europe, South Africa, USA and Canada, Australia, Asia Pacific in addition to Croatia and India which provide much of the professional service support and R&D activity. The subsidiaries are consolidated at the Vector CS Holding Ltd level and their performance is reported there.

CloudSense Ltd is 100% owned by Vector CS Holdings Ltd.

CloudSense Ltd made a loss for the financial year to 31 January 2021 of £6,206,000 (2020: £10,652,000). As at the 31 January 2021 the Company's net liabilities were £23,832,000 (2020: £17,626,000).

The loss for the year has decreased by £4m as a result of revenue growth and costs reducing by £0.6m and £3.4m respectively. The cost reductions are from lower headcount and savings from the pandemic such as travel costs and foreign exchange movements.

The principal activity of the CloudSense Ltd continued to be that of Commerce and Subscriber Management SaaS provider, IT support, including outsourced support and advisory and implementation consultancy. Its services are primarily cloud computing centric.

During the year to 31 January 2021, CloudSense Ltd continued to grow its revenue despite the global pandemic. The Company was also named a "Magic Quadrant Visionary" by Gartner for the 4th year in a row recognising CloudSense Ltd innovation and deep knowledge of its target markets. CloudSense Ltd's continued investment in R&D during the period helped it achieve this growth and recognition.

The directors look forward to the next year as the Company continues to increase its momentum in the global market and be a leading commerce and subscriber management SaaS vendor.

Principal risks and uncertainties

The Software as a Service (SaaS) market is rapidly changing and requires constant vigilance and research to ensure the right products are being developed and effective consultancy advice is being given to customers. The principal risks and challenges facing the Company are the ability to continue to develop software to enable it to remain relevant in its market and generate the required revenue.

The policy of investing in customer relationships continues with the results of this investment being demonstrated by high customer license renewals. The Company continues to expand its customer base within the UK and European markets and therefore there is an element of foreign exchange risk. However, the directors do not see this as a material risk.

The directors are confident that the partnership with Vector Capital Partners V Limited, and the associated access to growth capital within the CloudSense Group, will allow the Company to generate accelerated revenue growth.

Key performance indicators

CloudSense Ltd turnover increased by 3.7% from £16,662,000 for the year ended 31 January 2020 to £17,271,000 for the year ended 31 January 2021.

CLOUDSENSE LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2021**

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

DocuSigned by:

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J W English
Director

Date: 13 May 2022

CLOUDSENSE LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2021

The directors present their annual report and the audited financial statements of CloudSense Ltd (the "Company") for the year ended 31 January 2021.

Principal activities

The principal activity of the Company continued to be that of provider of subscription software products, IT support, including outsourced support and advisory and implementation consultancy. Its services are primarily cloud computing centric.

Results and dividends

The loss for the financial year amounted to £6,206,000 (2020: £10,652,000).

The directors do not propose the payment of dividend (2020: £Nil).

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

R W Britton (resigned 23 June 2020)
D Dubokovic
A R Fuller
J W English (appointed 23 June 2020)

Research and development

Research and development activities are discussed in the Strategic Report.

Future developments

CloudSense Ltd is expected to remain as a trading entity.

Financial risk management

In the course of its business the Company faces a variety of risks which are managed by the Executive Team under the Company risk management framework which ensures focus on risk management that supports our strategy. Our principle risks are liquidity risk and credit risk.

Liquidity risk

The Company's policy for managing liquidity is to manage its funds so that there are sufficient capital resources to fund operations. Cash flow forecasting is performed and Company finance monitors rolling forecast of the Groups liquidity requirements to make sure it has enough cash to meet operational needs.

Credit risk

Credit risk arises from the Company's exposures to outstanding receivables. In order to mitigate this risk, the Group reviews its clients credit risks along with regular review of aged debt and collection history.

CLOUDSENSE LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2021

Going concern

The going concern basis assumes that the Company will have sufficient funds available to continue to trade for the foreseeable future and not less than 12 months from the date of signing these financial statements.

CloudSense Ltd is a subsidiary of Vector CS Holdings Ltd and has intercompany receivables due from Vector CS Holdings Ltd and other Group companies. The going concern of this Company is therefore dependent on the going concern assessment of the Vector CS Holdings Ltd group.

The directors have prepared financial forecasts for the next 12 months for the Vector CS Holdings Ltd Group and these indicate that incremental funding will be required if the lender requests repayment of its loan. Given the loan covenants have been breached, the lender is able to request repayment immediately. At the date of signing the financial statements no repayment has been requested.

The directors are confident that additional funding will be obtained whether through new equity, new debt or re-negotiating the loan covenants with the existing lender. Vector Capital has provided a letter of support confirming their intention to support Vector CS Holdings Ltd for at least 12 months from the date of signing the Group and Company's financial statements for the year ended 31 January 2021. Vector Capital demonstrated this support by providing additional working capital in November 2021. In addition, the directors are confident that the future of the business is secure for reasons that include:

- Vector CS Holdings Ltd are pursuing a plan to grow the income of the Group and will financially support the Group to attain that goal.
- Its sale of software licences business model and its continued growth in its international customers secures a growing income base.
- Its continued investment in new software solutions and its marketing is keeping it relevant and interesting in the SAAS market that it operates in.
- As a SaaS business we have contracted revenues the majority of which are multiyear contracts which leaves the Company less susceptible to short - mid term changes in market conditions.

Should the lender request repayment of the loan, and were additional funding not secured, the Group and Company would not be a going concern. As such these conditions indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern.

CLOUDSENSE LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2021

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Director's confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

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

DocuSigned by:

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J W English
Director

Date: 13 May 2022

CLOUDSENSE LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLOUDSENSE LTD

Report on the audit of the financial statements

Opinion

In our opinion, CloudSense Ltd's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Balance Sheet as at 31 January 2021; Statement of Comprehensive Income, Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.4 to the financial statements concerning the Company's ability to continue as a going concern. The Company is a subsidiary of Vector CS Holdings Limited. The Vector CS Holdings Limited Group has loan covenants in place that were breached as of 31 January 2021. This breach in covenants indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Therefore this company, as a subsidiary within the Group, which is dependent on intercompany receivables also has an associated material uncertainty. These conditions, along with the other matters explained in note 2.4 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

CLOUDSENSE LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLOUDSENSE LTD (CONTINUED)

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 January 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Holding regular discussions with management to understand any new risks, litigation or matters identified (including any significant and material one off transactions) and made enquiries as to any instances of known or suspected fraud;
- Considering the management incentives in place and how fraud could be perpetrated to manipulate the measures that impact incentives;
- Utilising our data analysis tool to identify and test a sample of journals, and confirming completeness;
- Focussing our testing of journals on unusual entries against revenue, unusual entries made by directors, and unusual credits to any profit and loss account. We select these journals to test as they have a higher likelihood of fraud; and
- Reviewing Board of Directors meeting minutes.

CLOUDSENSE LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLOUDSENSE LTD (CONTINUED)

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Gareth Murfitt (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

16 May 2022

CLOUDSENSE LTD**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2021**

	Note	2021 £000	2020 £000
Turnover	4	17,271	16,662
Cost of sales		(12,911)	(14,184)
Gross profit		<u>4,360</u>	<u>2,478</u>
Administrative expenses		(10,187)	(13,507)
Exceptional administrative expenses	5	(352)	-
Operating loss	6	<u>(6,179)</u>	<u>(11,029)</u>
Income from other fixed asset investments		-	488
Interest payable and similar expenses	10	-	(54)
Loss before taxation		<u>(6,179)</u>	<u>(10,595)</u>
Tax on loss	11	(27)	(57)
Loss for the financial year		<u>(6,206)</u>	<u>(10,652)</u>
Currency translation differences		-	(32)
Other comprehensive expense for the financial year		<u>-</u>	<u>(32)</u>
Total comprehensive expense for the financial year		<u><u>(6,206)</u></u>	<u><u>(10,684)</u></u>

All amounts relate to continuing activities.

The notes on pages 13 to 26 form part of these financial statements.

CLOUDSENSE LTD
REGISTERED NUMBER: 07072194

BALANCE SHEET
AS AT 31 JANUARY 2021

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	12	400	491
Current assets			
Debtors	13	39,042	30,795
Cash at bank and in hand	14	4,009	975
		<u>43,051</u>	<u>31,770</u>
Creditors: amounts falling due within one year	15	(66,306)	(19,837)
Net current (liabilities)/assets		<u>(23,255)</u>	<u>11,933</u>
Total assets less current liabilities		<u>(22,855)</u>	<u>12,424</u>
Creditors: amounts falling due after more than one year	16	(977)	(30,050)
Net liabilities		<u>(23,832)</u>	<u>(17,626)</u>
Capital and reserves			
Called up share capital	17	199	199
Share premium account	18	10,818	10,818
Profit and loss account	18	(34,849)	(28,643)
Total shareholders' deficit		<u>(23,832)</u>	<u>(17,626)</u>

The financial statements on pages 10 to 26 were approved by the Board of Directors on 13 May 2022 and signed on its behalf by:

DocuSigned by:

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J W English
 Director

The notes on pages 13 to 26 form part of these financial statements.

CLOUDSENSE LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2021

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' deficit £000
At 1 February 2019	199	10,818	(17,959)	(6,942)
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(10,652)	(10,652)
Currency translation differences	-	-	(32)	(32)
Total comprehensive expense for the financial year	-	-	(10,684)	(10,684)
At 31 January 2020 and 1 February 2020	199	10,818	(28,643)	(17,626)
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(6,206)	(6,206)
Total comprehensive expense for the financial year	-	-	(6,206)	(6,206)
At 31 January 2021	199	10,818	(34,849)	(23,832)

The notes on pages 13 to 26 form part of these financial statements.

CLOUDSENSE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

1. General information

CloudSense Ltd (the "Company") is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at 23-31 Great Titchfield Street, London, W1W 7PA.

The principal activity of the Company for the 12 months ended 31 January 2021 was that of a provider of subscription software products, outsourced IT support and advisory and implementation consultancy. Its services are primarily cloud computing centric.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently throughout the year:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

This information is included in the consolidated financial statements of Vector CS Holdings Limited as at 31 January 2021 and these financial statements may be obtained from 23-31 Great Titchfield Street, London, W1W 7PA.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

CLOUDSENSE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

2. Accounting policies (continued)

2.4 Going concern

The going concern basis assumes that the Company will have sufficient funds available to continue to trade for the foreseeable future and not less than 12 months from the date of signing these financial statements.

CloudSense Ltd is a subsidiary of Vector CS Holdings Ltd and has intercompany receivables due from Vector CS Holdings Ltd and other Group companies. The going concern of this Company is therefore dependent on the going concern assessment of the Vector CS Holdings Ltd group.

The directors have prepared financial forecasts for the next 12 months for the Vector CS Holdings Ltd Group and these indicate that incremental funding will be required if the lender requests repayment of its loan. Given the loan covenants have been breached, the lender is able to request repayment immediately. At the date of signing the financial statements no repayment has been requested.

The directors are confident that additional funding will be obtained whether through new equity, new debt or re-negotiating the loan covenants with the existing lender. Vector Capital has provided a letter of support confirming their intention to support Vector CS Holdings Ltd for at least 12 months from the date of signing the Group and Company's financial statements for the year ended 31 January 2021. Vector Capital demonstrated this support by providing additional working capital in November 2021. In addition, the directors are confident that the future of the business is secure for reasons that include:

- Vector CS Holdings Ltd are pursuing a plan to grow the income of the Group and will financially support the Group to attain that goal.
- Its sale of software licences business model and its continued growth in its international customers secures a growing income base.
- Its continued investment in new software solutions and its marketing is keeping it relevant and interesting in the SAAS market that it operates in.
- As a SaaS business we have contracted revenues the majority of which are multiyear contracts which leaves the Company less susceptible to short - mid term changes in market conditions.

Should the lender request repayment of the loan, and were additional funding not secured, the Group and Company would not be a going concern. As such these conditions indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern.

CLOUDSENSE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.6 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. SaaS (software as a service) is recognized ratably over the term of the arrangement as the service is provided. The following criteria must also be met before turnover is recognised:

Rendering of professional services

The majority of professional services are delivered on a 'time & materials' basis and recognized when the service is provided. Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

CLOUDSENSE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

2. Accounting policies (continued)

2.8 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.9 Pensions

Defined contribution pension plan

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

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

2.10 Current and deferred taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

2.11 Exceptional items

Exceptional items comprise material one off items that impact the Statement of Comprehensive Income such as restructuring or termination costs, profit or losses on disposals or litigation costs.

CLOUDSENSE LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2021

2. Accounting policies (continued)

2.12 Tangible assets

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

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Improvements to property	- 20% straight line
Integrated features	- 20% straight line
Fixtures and fittings	- 25% on reducing balance
Computer equipment	- 25% on reducing balance

2.13 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.14 Debtors

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

2.15 Cash and cash equivalents

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

2.16 Creditors

Short term creditors are measured at the transaction price.

2.17 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' (where applicable) of FRS 102 to all of its financial instruments.

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

CLOUDSENSE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

2. Accounting policies (continued)

2.17 Financial instruments (continued)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis and revisions to accounting estimates are recognised in the period in which the estimate is revised. Significant judgement and estimates are necessary in relation to the following matters:

Estimates

Provisions against trade and other receivables

Using information available at the Balance Sheet date, the directors make judgements based on experience regarding the level of provision required to account for potentially unelectable receivables. Additionally, the Company uses historical information to estimate a probability of default and determine future expected credit losses.

CLOUDSENSE LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021

4. Turnover

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

	2021 £000	2020 £000
Software	11,165	10,726
Professional services	6,106	5,936
	<u>17,271</u>	<u>16,662</u>

Analysis of turnover by country of destination:

	2021 £000	2020 £000
EMEA	<u>17,271</u>	<u>16,662</u>

5. Exceptional items

	2021 £000	2020 £000
Exceptional items	<u>352</u>	<u>-</u>

Exceptional items include termination costs for £1,386k, offset by release of Bonus accrual for FY20 for £774k and state aids in different companies across the Group related to COVID for £169k. The FY20 (31 January 2020) bonus accrual was the best estimate as at 31 January 2020 but was reduced after the year end because of the impact COVID-19 in FY21.

6. Operating loss

The operating loss is stated after charging/(crediting):

	2021 £000	2020 £000
Depreciation - Owned assets	143	148
(Gain)/loss on foreign exchange	(338)	349
Other operating leases	<u>152</u>	<u>463</u>

CLOUDSENSE LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021****7. Auditors' remuneration**

	2021	2020
	£000	£000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	61	55
Fees payable to the Company's auditors in respect of:		
Taxation compliance services	16	16
Financial statements preparation	3	3
Other services	20	-
	39	19

8. Employees

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

	2021	2020
	£000	£000
Wages and salaries	9,968	10,265
Social security costs	1,317	1,127
Other pension costs	358	305
	11,643	11,697

The average monthly number of employees, including the directors, during the year was as follows:

	2021	2020
	Number	Number
Director	3	3
Operations	73	62
Sales and Marketing	12	29
	88	94

CLOUDSENSE LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021****9. Directors' remuneration**

	2021	2020
	£000	£000
Aggregate directors' remuneration	1,011	851
Company contributions to defined contribution pension schemes	39	24
Compensation for loss of office	120	-
	<u>1,170</u>	<u>875</u>

During the year retirement benefits were accruing to 3 directors (2020: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £320,000 (2020: £343,000).

The directors are considered to be the only Key management personnel.

10. Interest payable and similar expenses

	2021	2020
	£000	£000
Interest payable on loans from group undertakings	<u>-</u>	<u>54</u>

CLOUDSENSE LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021

11. Tax on loss

	2021 £000	2020 £000
Corporation tax		
Current tax on loss for the financial year	62	57
Adjustment in respect of prior year	(35)	-
Total current tax	<u>27</u>	<u>57</u>
Factors affecting tax charge for the financial year		
The tax assessed for the year is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:		
	2021 £000	2020 £000
Loss before taxation	<u>(6,179)</u>	<u>(10,595)</u>
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(1,174)	(2,013)
Effects of:		
Expenses not deductible for tax purposes	64	95
Deferred tax not recognised	876	2,068
Income not taxable	-	(93)
Adjustment from previous periods	(34)	-
Effects of group relief/other reliefs	295	-
Total tax charge for the financial year	<u>27</u>	<u>57</u>

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the Balance Sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the Balance Sheet date, would be immaterial to these financial statements.

CLOUDSENSE LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021

12. Tangible assets

	Improvements to property £000	Fixtures and fittings £000	Computer equipment £000	Integrated features £000	Total £000
Cost					
At 1 February 2020	174	120	391	391	1,076
Additions	-	-	52	-	52
At 31 January 2021	<u>174</u>	<u>120</u>	<u>443</u>	<u>391</u>	<u>1,128</u>
Accumulated depreciation					
At 1 February 2020	159	76	214	136	585
Charge for the year	5	10	50	78	143
At 31 January 2021	<u>164</u>	<u>86</u>	<u>264</u>	<u>214</u>	<u>728</u>
Net book value					
At 31 January 2021	<u>10</u>	<u>34</u>	<u>179</u>	<u>177</u>	<u>400</u>
At 31 January 2020	<u>15</u>	<u>44</u>	<u>177</u>	<u>255</u>	<u>491</u>

CLOUDSENSE LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021****13. Debtors**

	2021	2020
	£000	£000
Trade debtors	4,925	4,114
Amounts owed by group undertakings	32,374	23,759
Other debtors	171	301
Tax recoverable	263	257
Prepayments	831	1,436
Accrued income	478	928
	39,042	30,795

Amounts owed by group undertakings are non-interest bearing and repayable on demand.

Trade debtors are stated after provisions for impairment of £194,409 (2020: £257,591).

14. Cash at bank and in hand

	2021	2020
	£000	£000
Cash at bank and in hand	4,009	975

15. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	2,205	1,508
Amounts owed to group undertakings	55,947	12,606
Other creditors	725	28
Other taxation and social security	29	81
Accruals	1,436	1,669
Deferred income	5,964	3,945
	66,306	19,837

Amounts owed to group undertakings comprise the following loans:

- Vector CS Bidco Ltd - £34,096,301 (2020: £Nil).

Amounts owed to group undertakings are non-interest bearing and repayable on demand.

CLOUDSENSE LTD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021****16. Creditors: amounts falling due after more than one year**

	2021	2020
	£000	£000
Amounts owed to group undertakings	977	30,050

Amounts owed to group undertakings comprise the following loans:

- Vector CS Bidco Ltd - £Nil (2020: £29,072,695).
- Vector CS Holdings(Cayman) LP - £976,840 (2020: £976,840).

Amounts owed to group undertakings are non-interest bearing. The loan from Vector CS Bidco Ltd depends on the ability of the Group to meet its covenants. As of 31 January 2021, the Group breached its loan covenants with the lender, Golub Capital LLC, therefore the lender is able to ask for repayment immediately. Consequently, the loans are reclassified to current liabilities in the Balance Sheet. At the date of signing the financial statements, no repayment has been requested.

17. Called up share capital

	2021	2020
	£000	£000
Allotted, called up and fully paid		
19,912,731 (2020: 19,912,731) Ordinary shares of £0.01 (2020: £0.01) each	199	199

18. Reserves**Share premium account**

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

The profit and loss account represents the cumulative profits and losses, less any distributions made to shareholders.

19. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £358,000 (2020: £305,000).

20. Related party transactions

As the parent of the Group, the Company is exempt under FRS102 from the requirements to disclose transactions with other members of the Group headed by Vector CS Holdings Ltd.

As at 31 January 2021 there was a balance of £976,840 (2020: £976,839) owing to Vector CS Holdings (Cayman) LP which is a related party by virtue of its ownership of shares in the Company.

CLOUDSENSE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2021**

21. Ultimate parent undertaking and controlling party

Vector CS Holdings Ltd is the parent of the Group where consolidated financial statements are prepared, which include this company.

The registered office of Vector CS Holdings Ltd is 23-31 Great Titchfield Street, London W1W 7PA.

Vector Capital Partners V, Ltd is the controlling party of Vector CS Holdings Ltd (registered as No. 11014925).

The registered address for Vector Capital Partners V, Ltd is:

c/o Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue
George Town, Grand Cayman KY1-9005
Cayman Islands.