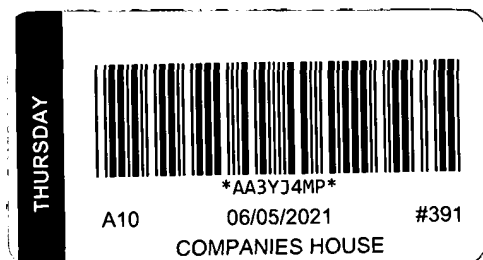


REGISTERED NUMBER: 09522753 (England and Wales)

Report of the Directors and
Unaudited
Consolidated Financial Statements
for the Year Ended 31st December 2020
for
Quality Clouds Ltd



Quality Clouds Ltd

Contents of the Consolidated Financial Statements
for the Year Ended 31st December 2020

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Quality Clouds Ltd

Company Information
for the Year Ended 31st December 2020

DIRECTORS:

A Franquesa Ribe
A Marquez Hurtado
M Montserrat Puig Ponsico
A Gomez
J I Tepper

REGISTERED OFFICE:

20-22 Wenlock Road
London
N1 7GU

REGISTERED NUMBER:

09522753 (England and Wales)

ACCOUNTANTS:

Meyer Williams
Chartered Accountants
Stag House
Old London Road
Hertford
Hertfordshire
SG13 7LA

Quality Clouds Ltd

Report of the Directors
for the Year Ended 31st December 2020

The directors present their report with the financial statements of the company and the group for the year ended 31st December 2020.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of computer software support and development.

RESEARCH AND DEVELOPMENT

The group and its subsidiary company continues to undertake research and development activities to further assist in enhancing the wider software market.

DIRECTORS

The directors shown below have held office during the whole of the period from 1st January 2020 to the date of this report.

A Franquesa Ribe
A Marquez Hurtado
M Montserrat Puig Ponsico
A Gomez

Other changes in directors holding office are as follows:

J I Tepper - appointed 26th February 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

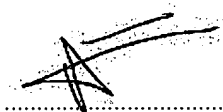
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



.....
A Franquesa Ribe - Director

Date: 22nd April 2021

Quality Clouds Ltd

Consolidated Statement of Profit or Loss
for the Year Ended 31st December 2020

	Notes	31.12.20 £	31.12.19 £
CONTINUING OPERATIONS			
Revenue	3	707,896	427,093
Cost of sales		<u>(92,327)</u>	<u>(23,000)</u>
GROSS PROFIT		615,569	404,093
Other operating income		940	-
Administrative expenses		<u>(2,133,295)</u>	<u>(1,057,436)</u>
OPERATING LOSS		(1,516,786)	(653,343)
Finance costs	5	(18,569)	(8,293)
Finance income	5	<u>129</u>	<u>43</u>
LOSS BEFORE INCOME TAX	6	(1,535,226)	(661,593)
Income tax	7	<u>108,801</u>	<u>43,914</u>
LOSS FOR THE YEAR		<u>(1,426,425)</u>	<u>(617,679)</u>
Loss attributable to:			
Owners of the parent		<u>(1,426,425)</u>	<u>(617,679)</u>

The notes form part of these financial statements

Quality Clouds Ltd

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31st December 2020

	31.12.20 £	31.12.19 £
LOSS FOR THE YEAR	(1,426,425)	(617,679)
OTHER COMPREHENSIVE INCOME		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference on consolidation	1,435	(1,322)
Income tax relating to item that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	<u>1,435</u>	<u>(1,322)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(1,424,990)</u>	<u>(619,001)</u>
Total comprehensive income attributable to: Owners of the parent	<u>(1,424,990)</u>	<u>(619,001)</u>

The notes form part of these financial statements

Quality Clouds Ltd (Registered number: 09522753)

Consolidated Statement of Financial Position
31st December 2020

	Notes	31.12.20 £	31.12.19 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	24,429	16,730
Investments	10	-	-
Deferred tax	18	4,005	-
		<u>28,434</u>	<u>16,730</u>
CURRENT ASSETS			
Trade and other receivables	11	655,230	130,842
Tax receivable	12	129,984	65,625
Cash and cash equivalents	13	544,092	809,292
		<u>1,329,306</u>	<u>1,005,759</u>
TOTAL ASSETS		<u>1,357,740</u>	<u>1,022,489</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	14	2	2
Share premium	15	1,699,959	1,699,959
Other reserves	15	812	(623)
Retained earnings	15	(2,652,827)	(1,226,402)
TOTAL EQUITY		<u>(952,054)</u>	<u>472,936</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	16	328,362	-
Financial liabilities - borrowings			
Interest bearing loans and borrowings	17	1,084,141	14,410
		<u>1,412,503</u>	<u>14,410</u>
CURRENT LIABILITIES			
Trade and other payables	16	849,505	504,144
Financial liabilities - borrowings			
Interest bearing loans and borrowings	17	25,692	22,858
Tax payable		22,094	8,141
		<u>897,291</u>	<u>535,143</u>
TOTAL LIABILITIES		<u>2,309,794</u>	<u>549,553</u>
TOTAL EQUITY AND LIABILITIES		<u>1,357,740</u>	<u>1,022,489</u>

The notes form part of these financial statements

Quality Clouds Ltd (Registered number: 09522753)

Consolidated Statement of Financial Position - continued
31st December 2020

The company and the group are entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31st December 2020.

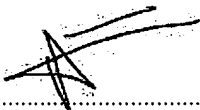
The members have not required the company and the group to obtain an audit of its financial statements for the year ended 31st December 2020 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the group keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company and the group as at the end of each financial year and of the group's profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company and the group.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 22nd April 2021 and were signed on its behalf by:



.....
A Franquesa Ribe - Director

The notes form part of these financial statements

Company Statement of Financial Position
31st December 2020

	Notes	31.12.20 £	31.12.19 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	11,016	7,867
Investments	10	<u>3,011</u>	<u>3,011</u>
		<u>14,027</u>	<u>10,878</u>
CURRENT ASSETS			
Trade and other receivables	11	587,291	119,860
Tax receivable	12	129,984	65,625
Cash and cash equivalents	13	<u>495,785</u>	<u>789,967</u>
		<u>1,213,060</u>	<u>975,452</u>
TOTAL ASSETS		<u><u>1,227,087</u></u>	<u><u>986,330</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	14	2	2
Share premium	15	1,699,959	1,699,959
Retained earnings	15	<u>(2,733,730)</u>	<u>(1,251,010)</u>
TOTAL EQUITY		<u><u>(1,033,769)</u></u>	<u><u>448,951</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	16	328,362	-
Financial liabilities - borrowings			-
Interest bearing loans and borrowings	17	<u>1,043,333</u>	<u>-</u>
		<u>1,371,695</u>	<u>-</u>
CURRENT LIABILITIES			
Trade and other payables	16	882,494	522,375
Financial liabilities - borrowings			-
Interest bearing loans and borrowings	17	<u>6,667</u>	<u>15,004</u>
		<u>889,161</u>	<u>537,379</u>
TOTAL LIABILITIES		<u><u>2,260,856</u></u>	<u><u>537,379</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,227,087</u></u>	<u><u>986,330</u></u>

The notes form part of these financial statements

Quality Clouds Ltd (Registered number: 09522753)

Company Statement of Financial Position - continued
31st December 2020

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31st December 2020.

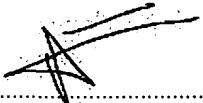
The members have not required the company to obtain an audit of its financial statements for the year ended 31st December 2020 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors and authorised for issue on 22nd April 2021 and were signed on its behalf by:



.....
A Franquesa Ribe - Director

The notes form part of these financial statements

Quality Clouds Ltd

Consolidated Statement of Changes in Equity
for the Year Ended 31st December 2020

	Called up share capital £	Retained earnings £	Share premium £	Other reserves £	Total equity £
Balance at 1st January 2019	1	(608,723)	473,633	699	(134,390)
Changes in equity					
Deficit for the year	-	(617,679)	-	-	(617,679)
Other comprehensive income	-	-	-	(1,322)	(1,322)
Total comprehensive income	-	(617,679)	-	(1,322)	(619,001)
Issue of share capital	1	-	1,226,326	-	1,226,327
Balance at 31st December 2019	<u>2</u>	<u>(1,226,402)</u>	<u>1,699,959</u>	<u>(623)</u>	<u>472,936</u>
Changes in equity					
Deficit for the year	-	(1,426,425)	-	-	(1,426,425)
Other comprehensive income	-	-	-	1,435	1,435
Total comprehensive income	-	(1,426,425)	-	1,435	(1,424,990)
Balance at 31st December 2020	<u>2</u>	<u>(2,652,827)</u>	<u>1,699,959</u>	<u>812</u>	<u>(952,054)</u>

The notes form part of these financial statements

Quality Clouds Ltd

Company Statement of Changes in Equity
for the Year Ended 31st December 2020

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1st January 2019	1	(613,466)	473,633	(139,832)
Changes in equity				
Issue of share capital	1	-	1,226,326	1,226,327
Total comprehensive income	-	(637,544)	-	(637,544)
Balance at 31st December 2019	<u>2</u>	<u>(1,251,010)</u>	<u>1,699,959</u>	<u>448,951</u>
Changes in equity				
Total comprehensive income	-	(1,482,720)	-	(1,482,720)
Balance at 31st December 2020	<u>2</u>	<u>(2,733,730)</u>	<u>1,699,959</u>	<u>(1,033,769)</u>

The notes form part of these financial statements

Quality Clouds Ltd

Consolidated Statement of Cash Flows
for the Year Ended 31st December 2020

		31.12.20	31.12.19
		£	£
Cash flows from operating activities			
Cash generated from operations	1	(1,349,183)	(449,895)
Interest paid		(4,103)	(8,293)
Tax paid		(11,221)	-
Taxation refund		<u>65,625</u>	<u>39,723</u>
Net cash from operating activities		<u>(1,298,882)</u>	<u>(418,465)</u>
 Cash flows from investing activities			
Purchase of tangible fixed assets		(16,935)	(11,076)
Interest received		<u>129</u>	<u>43</u>
Net cash from investing activities		<u>(16,806)</u>	<u>(11,033)</u>
 Cash flows from financing activities			
Loans received in the year		1,094,486	25,500
Loan repayments in the year		(21,256)	(18,468)
Amount withdrawn by directors		(22,742)	(4,824)
Share issue		<u>-</u>	<u>1,226,327</u>
Net cash from financing activities		<u>1,050,488</u>	<u>1,228,535</u>
 (Decrease)/increase in cash and cash equivalents		 <u>(265,200)</u>	 <u>799,037</u>
 Cash and cash equivalents at beginning of year	 2	 <u>809,292</u>	 <u>10,255</u>
 Cash and cash equivalents at end of year	 2	 <u><u>544,092</u></u>	 <u><u>809,292</u></u>

The notes form part of these financial statements

Quality Clouds Ltd

Notes to the Consolidated Statement of Cash Flows
for the Year Ended 31st December 2020

1. **RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	31.12.20	31.12.19
	£	£
Loss before income tax	(1,535,226)	(661,593)
Depreciation charges	9,236	4,960
Foreign exchange movement	1,435	(1,322)
Finance costs	18,569	8,293
Finance income	<u>(129)</u>	<u>(43)</u>
	(1,506,115)	(649,705)
Increase in trade and other receivables	(525,220)	(52,849)
Increase in trade and other payables	<u>682,152</u>	<u>252,659</u>
Cash generated from operations	<u>(1,349,183)</u>	<u>(449,895)</u>

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31st December 2020

	31.12.20	1.1.20
	£	£
Cash and cash equivalents	<u>544,092</u>	<u>809,292</u>

Year ended 31st December 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	<u>809,292</u>	<u>10,255</u>

The notes form part of these financial statements

Quality Clouds Ltd

Notes to the Consolidated Financial Statements
for the Year Ended 31st December 2020

1. **STATUTORY INFORMATION**

Quality Clouds Ltd is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. **ACCOUNTING POLICIES**

Basis of preparation

The parent company and consolidated financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using International Financial Reporting Standards (IFRS) and the relevant Interpretations, as issued by the IFRS Interpretations Committee (IFRSIC), and adopted by the European Union ("EU"). The consolidated financial statements have been prepared on a historical cost basis and are presented in pound sterling ("Sterling") which is the Company's functional and presentational currency with all values rounded to the nearest pound. The subsidiary of the Group presents their financial statements in euros, and are translated into Sterling on consolidation.

The preparation of financial statements in accordance with IFRS requires the use of accounting estimates and assumptions. Additionally, it requires management's judgement during the implementation process of the Group's accounting policies. Accounting policies have been applied consistently, other than where new policies have been adopted. The estimates and assumptions are made to the best of management's knowledge in the current circumstances.

Going concern

The directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. In making this assessment the directors have considered the impact of the coronavirus pandemic (COVID-19) on the group, its employees, clients and third-party suppliers.

While there is uncertainty about the impact that COVID-19 will have on the global economy the directors do not believe it impacts the use of the going concern basis of preparation nor does it cast significant doubt about the Company's ability to continue as a going concern for a period of twelve months from the date of the financial statements being authorised for issue.

The directors consider the Company to be sufficiently robust that its operations will not be significantly affected and that it will be able to generate and maintain sufficient levels of cash in order to meet its overhead commitments for at least the period under review.

Losses in the current year resulted in the company having negative equity of £1,033,769 at 31st December 2020 and the group having negative equity of £952,054. A significant amount of the liabilities are non-current and both the group and the company have a surplus of working capital with net current assets of £432,015 for the group and £323,899 for the company. The group and the company liabilities include £1m relating to a loan which will be converted into share capital on 27th October 2023, together with any accrued interest, if the loan and interest have not been repaid by that date.

The board is looking to obtain further funding from new and existing investors towards the end of 2021 or start of 2022 to provide a strong base for the group's planned growth.

As a result of these factors the directors consider it appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its wholly owned subsidiary Quality Clouds S.L. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, transactions and any intercompany profits or losses are eliminated in the consolidated financial statements.

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

2. ACCOUNTING POLICIES - continued

Standards issued but not yet effective and not early adopted

The following standards have been issued, amended or clarified but are not yet effective and have not been early adopted in preparing these financial statements:

Standard	Date adoption required and planned
Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9	1.1.21
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest Rate Benchmark Reform - Phase 2	1.1.21
Amendments to IAS 1, Presentation of financial statements on classification of liabilities	1.1.22
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	1.1.22
IFRS 17 - Insurance Contracts	1.1.23

Management has assessed that the above changes to the standards are not expected to have a material impact on the financial position or financial performance of the company.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. In the opinion of the directors, there are no areas where management judgements have had a significant effect on amounts recognised in the financial statements.

Revenue recognition

Revenue represents amounts receivable in respect of services provided during the year, excluding value added tax ("VAT"). Revenue is measured by reference to the fair value of the consideration received or receivable by the company for the services provided, excluding VAT. For contracts with customers that stipulate the service will be provided over a period of time, the fair value of the contract is assessed and split equally over the term of the contract. Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and when the costs incurred or to be incurred can be measured reliably.

Share-based employee remuneration

The Group operates an equity-settled share-based remuneration plans for its employees. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

2. **ACCOUNTING POLICIES - continued**

Operating expenses

Operating expenses are recognised in the income statement on utilisation of the service or at the date of their origin.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Fixtures and fittings	- 33% or 25% on cost
Computer equipment	- 33% or 25% on cost

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the income statement within other operating income or the relevant expense item.

Individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Investments

Investments in subsidiary undertakings are included in the parent company's financial statements at cost and adjusted for any impairment where necessary.

Financial instruments

Debt instruments like loans and other accounts receivable and payable are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method; Debt instruments that are payable or receivable within one year, typically trade payables or receivables, 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 case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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 income statement.

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.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the best estimate, which is an approximation, of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

2. **ACCOUNTING POLICIES - continued**

Receivables

Basic financial assets, including trade and other receivables, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash and cash equivalents are represented by cash in hand, deposits held at call with financial institutions, and other short-term 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.

Payables

Basic financial liabilities, including trade and other payables, loans from third parties and loans from related parties, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future payments discounted at a market rate of interest. Such instruments are subsequently carried at amortised cost using the effective interest method, less any impairment.

Taxation

Taxation expense for the period comprises current and deferred income tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

Current income tax

Current income tax is the amount of corporation tax payable in respect of the taxable profit for the period. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in the periods different from those in which they are recognised in the financial statements.

Deferred income tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred income tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing differences.

Product development

Expenditure on product development is written off in the period in which it is incurred.

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

2. **ACCOUNTING POLICIES - continued**

Foreign currencies

Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in sterling, which is the functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss, within finance costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into sterling at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

Employee benefit costs

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the income statement in the period to which they relate.

Borrowing costs

Borrowing costs are comprised of interest charges on the Group's borrowings and are recognised as an expense incurred and are included in "Financial costs" in the income statement using the effective interest rate method.

The effective interest rate method estimates the amortised cost of a liability and the allocation of interest the charges over the relevant period. The effective interest rate is the rate which is used to discount future payments in cash accurately, during the expected useful life of the financial instrument or, if required, for a shorter period, in the net carrying value of the financial liability.

Share capital

Share capital comprises the ordinary shares of the Company which are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Retained earnings

Retained earnings include all current and prior period retained profits and losses after any distributions.

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

3. **REVENUE**

Revenue from contracts with customers

The revenue and profit for the financial year are attributable to the group's principal activity of providing computer software support and development services to clients.

The geographical split of turnover is as follows:

	31.12.20	31.12.19
	£	£
United Kingdom	65,301	94,287
Europe	279,121	228,957
Rest of World	<u>363,474</u>	<u>140,914</u>
	<u><u>707,896</u></u>	<u><u>427,093</u></u>

4. **EMPLOYEES AND DIRECTORS**

	31.12.20	31.12.19
	£	£
Wages and salaries	1,178,954	479,948
Social security costs	178,037	69,623
Other pension costs	<u>16,378</u>	<u>6,183</u>
	<u><u>1,373,369</u></u>	<u><u>555,754</u></u>

Wages and salaries include costs of £nil (2019: £nil) which are provided for as share based payments under the group's Employee Management Incentive scheme as explained in note 23 to the financial statements.

The average number of employees during the year was as follows:

	31.12.20	31.12.19
Directors	5	4
Sales and marketing	11	5
Support and helpdesk	4	1
R&D	9	5
Operations and admin	<u>5</u>	<u>2</u>
	<u><u>34</u></u>	<u><u>17</u></u>

	31.12.20	31.12.19
	£	£
Directors' remuneration	<u><u>160,898</u></u>	<u><u>81,281</u></u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u><u>-</u></u>	<u><u>1</u></u>
------------------------	-----------------	-----------------

Directors' remuneration includes costs of £nil (2019: £nil) which are provided for as share based payments under the group's Employee Management Incentive scheme as explained in note 23 to the financial statements.

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

5. **NET FINANCE COSTS**

	31.12.20	31.12.19
	£	£
Finance income:		
Deposit account interest	<u>129</u>	<u>43</u>
Finance costs:		
Bank interest	-	16
Bank loan interest	2,392	1,380
Other loan interest	<u>16,177</u>	<u>6,897</u>
	<u>18,569</u>	<u>8,293</u>
Net finance costs	<u>18,440</u>	<u>8,250</u>

6. **LOSS BEFORE INCOME TAX**

The loss before income tax is stated after charging:

	31.12.20	31.12.19
	£	£
Depreciation - owned assets	9,236	4,960
Auditors' remuneration	44,677	11,163
Foreign exchange differences	27,659	1,629
Research and development expenditure	<u>389,756</u>	<u>196,776</u>

7. **INCOME TAX**

Analysis of tax income

	31.12.20	31.12.19
	£	£
Current tax:		
Tax	(104,810)	(56,960)
Adjustments to previous years	<u>-</u>	<u>13,046</u>
Total current tax	(104,810)	(43,914)
Deferred tax	<u>(3,991)</u>	<u>-</u>
Total tax income in consolidated statement of profit or loss	<u>(108,801)</u>	<u>(43,914)</u>

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

7. **INCOME TAX - continued**

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.20	31.12.19
	£	£
Loss before income tax	<u>(1,535,226)</u>	<u>(661,593)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(291,693)	(125,703)
Effects of:		
Expenses not deductible for tax purposes	3,803	12,474
Depreciation (higher)/lower than capital allowances	2,487	(1,076)
Enhanced Research and Development relief	(96,270)	(48,604)
R&D tax rate adjustment	40,340	20,368
Over/(under)provision from prior period	-	13,046
Difference in subsidiary tax rate	5,867	2,080
Losses carried forward	230,656	83,501
Deferred tax	<u>(3,991)</u>	<u>-</u>
Tax income	<u>(108,801)</u>	<u>(43,914)</u>

At 31st December 2020 the group had unrelieved trading losses amounting to approximately £2,000,000 (2019 £876,000) which are available to be carried forward and offset against future trading profits. No deferred tax asset has been recognised in respect of these losses as there is uncertainty about the timing and extent of future trading profits.

The parent company losses are not available to transfer against taxable profits in the subsidiary undertaking and a deferred tax asset is recognised in respect of timing differences in the subsidiary as set out in note 19 to the financial statements.

8. **LOSS OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £1,482,720 (2019 – a loss of £637,544).

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

9. PROPERTY, PLANT AND EQUIPMENT

Group	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1st January 2020	1,198	24,388	25,586
Additions	<u>196</u>	<u>16,739</u>	<u>16,935</u>
At 31st December 2020	<u>1,394</u>	<u>41,127</u>	<u>42,521</u>
DEPRECIATION			
At 1st January 2020	387	8,469	8,856
Charge for year	<u>412</u>	<u>8,824</u>	<u>9,236</u>
At 31st December 2020	<u>799</u>	<u>17,293</u>	<u>18,092</u>
NET BOOK VALUE			
At 31st December 2020	<u>595</u>	<u>23,834</u>	<u>24,429</u>
At 31st December 2019	<u>811</u>	<u>15,919</u>	<u>16,730</u>
Company			
COST			
At 1st January 2020	1,198	9,974	11,172
Additions	<u>196</u>	<u>7,289</u>	<u>7,485</u>
At 31st December 2020	<u>1,394</u>	<u>17,263</u>	<u>18,657</u>
DEPRECIATION			
At 1st January 2020	387	2,918	3,305
Charge for year	<u>412</u>	<u>3,924</u>	<u>4,336</u>
At 31st December 2020	<u>799</u>	<u>17,293</u>	<u>7,641</u>
NET BOOK VALUE			
At 31st December 2020	<u>595</u>	<u>10,421</u>	<u>11,016</u>
At 31st December 2019	<u>811</u>	<u>7,056</u>	<u>7,867</u>

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

10. INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1st January 2020 and 31st December 2020	<u>3,011</u>
NET BOOK VALUE	
At 31st December 2020	<u>3,011</u>
At 31st December 2019	<u>3,011</u>

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiary

Quality Clouds S.L.

Registered office: Calle Torrent de L'olla, 218 - P. 1 PTA. 3, Barcelona, 08012

Nature of business: Computer software development

	%		
Class of shares:	holding	31.12.20	31.12.19
Ordinary	100.00	£	£
Aggregate capital and reserves		88,890	26,996
Profit for the year		<u>60,458</u>	<u>19,865</u>

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.12.20	31.12.19	31.12.20	31.12.19
	£	£	£	£
Current:				
Trade debtors	533,682	66,106	533,682	66,106
Other debtors	66,029	14,485	-	3,503
Prepayments and accrued income	<u>55,519</u>	<u>50,251</u>	<u>53,609</u>	<u>50,251</u>
	<u>655,230</u>	<u>130,842</u>	<u>587,291</u>	<u>119,860</u>

Trade and other receivables are categorised in level 2 within the fair value hierarchy.

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

12. **TAX RECEIVABLE**

	Group		Company	
	31.12.20	31.12.19	31.12.20	31.12.19
	£	£	£	£
Income tax	<u>129,984</u>	<u>65,625</u>	<u>129,984</u>	<u>65,625</u>

The parent company has surrendered its losses relating to Research and Development costs, including the enhanced allowances available, in order to receive a cash refund.

Tax receivable is categorised in level 2 within the fair value hierarchy.

13. **CASH AND CASH EQUIVALENTS**

	Group		Company	
	31.12.20	31.12.19	31.12.20	31.12.19
	£	£	£	£
Bank accounts	<u>544,092</u>	<u>809,292</u>	<u>495,785</u>	<u>789,967</u>

Cash and cash equivalents are categorised in level 1 within the fair value hierarchy.

14. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:		Nominal value:	31.12.20	31.12.19
Number:	Class:		£	£
1,050,100	Ordinary	0.000001	2	2
240,300	Series A1	0.000001	-	-
333,715	Series A2	0.000001	-	-
			<u>2</u>	<u>2</u>

All classes of shares have equal voting and dividend rights.

On 18th November 2019 a special resolution was passed giving Series A1 and Series A2 shares priority over the ordinary shares on distributions from a winding up of the company.

During the year the group commenced its Employee Management Incentive scheme which will be settled by share based payments as set out in note 23 to the consolidated financial statements.

The company has also entered into a convertible loan agreement as set out in note 17 to the consolidated financial statements

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

15. RESERVES

Group

	Retained earnings £	Share premium £	Foreign currency translation reserves £	Totals £
At 1st January 2020	(1,226,402)	1,699,959	(623)	472,934
Deficit for the year	(1,426,425)	-	-	(1,426,425)
Exchange difference on consolidation	-	-	1,435	1,435
At 31st December 2020	<u>(2,652,827)</u>	<u>1,699,959</u>	<u>812</u>	<u>(952,056)</u>

Company

	Retained earnings £	Share premium £	Totals £
At 1st January 2020	(1,251,010)	1,699,959	448,949
Deficit for the year	(1,482,720)	-	(1,482,720)
At 31st December 2020	<u>(2,733,730)</u>	<u>1,699,959</u>	<u>(1,033,771)</u>

16. TRADE AND OTHER PAYABLES

	Group		Company	
	31.12.20 £	31.12.19 £	31.12.20 £	31.12.19 £
Current:				
Trade creditors	53,593	67,764	25,507	35,472
Amounts owed to group undertakings	-	-	176,532	87,519
Social security and other taxes	79,084	40,639	20,328	10,071
Other creditors	7,756	11,198	2,944	7,613
Accruals and deferred income	709,072	361,801	657,183	358,958
Directors' current accounts	-	22,742	-	22,742
	<u>849,505</u>	<u>504,144</u>	<u>882,494</u>	<u>522,375</u>
Non-current:				
Accruals and deferred income	328,362	-	328,362	-
	<u>328,362</u>	<u>-</u>	<u>328,362</u>	<u>-</u>
Aggregate amounts	<u>1,177,867</u>	<u>504,144</u>	<u>1,210,856</u>	<u>522,375</u>

Trade and other payables are categorised in level 2 within the fair value hierarchy.

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

17. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	31.12.20 £	31.12.19 £	31.12.20 £	31.12.19 £
Current:				
Bank loans	25,692	7,854	6,667	-
Other loans	-	15,004	-	15,004
	<u>25,692</u>	<u>22,858</u>	<u>6,667</u>	<u>15,004</u>
Non-current:				
Bank loans - 1-2 years	84,141	14,410	43,333	-
Other loans - 1-2 years	1,000,000	-	1,000,000	-
	<u>1,084,141</u>	<u>14,410</u>	<u>1,043,333</u>	<u>-</u>

Terms and debt repayment schedule

Group

	1 year or less £	1-2 years £	2-5 years £	More than 5 years £	Totals £
Bank loans	25,692	39,375	41,433	3,333	109,833
Other loans	-	-	1,000,000	-	1,000,000
	<u>25,692</u>	<u>39,375</u>	<u>1,041,433</u>	<u>3,333</u>	<u>1,109,833</u>

Company

	1 year or less £	1-2 years £	2-5 years £	More than 5 years £	Totals £
Bank loans	6,667	10,000	30,000	3,333	50,000
Other loans	-	-	1,000,000	-	1,000,000
	<u>6,667</u>	<u>10,000</u>	<u>1,030,000</u>	<u>3,333</u>	<u>1,050,000</u>

Financial liabilities and are categorised in level 2 within the fair value hierarchy except other loans outstanding at 31st December 2020 which are categorised in level 3 within the fair value hierarchy.

Other loans outstanding at 31st December 2020 represent amounts due under a convertible loan agreement entered into by the company on 27th October 2020.

The loan will be converted into ordinary shares on 27th October 2023 at an undetermined conversion price and is consequently categorised as a liability.

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

18. **FINANCIAL INSTRUMENTS**

Group

	31.12.20	31.12.19
	£	£
Financial assets		
Financial assets measured at fair value through profit or loss	544,092	809,292
Financial assets measured at amortised cost	<u>602,884</u>	<u>77,089</u>
	<u><u>1,146,976</u></u>	<u><u>886,381</u></u>
 Financial liabilities		
Financial liabilities that are debt instruments measured at amortised cost	<u>1,187,795</u>	<u>209,096</u>
	<u><u>1,187,795</u></u>	<u><u>209,096</u></u>

Company

	31.12.20	31.12.19
	£	£
Financial assets		
Financial assets measured at fair value through profit or loss	495,785	789,967
Financial assets measured at amortised cost	<u>533,682</u>	<u>66,106</u>
	<u><u>1,029,467</u></u>	<u><u>856,073</u></u>
 Financial liabilities		
Financial liabilities that are debt instruments measured at amortised cost	<u>1,254,982</u>	<u>257,894</u>
	<u><u>1,254,982</u></u>	<u><u>257,894</u></u>

19. **DEFERRED TAX**

Group

	31.12.20	31.12.19
	£	£
Subsidiary timing differences	<u>4,005</u>	<u>-</u>
Balance at 31st December	<u><u>4,005</u></u>	<u><u>-</u></u>

20. **EVENTS AFTER THE REPORTING PERIOD**

No adjusting events have occurred after the reporting period.

21. **ULTIMATE CONTROLLING PARTY**

No single party has had ultimate control of the parent company during the current year or previous year.

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

22. **RELATED PARTY DISCLOSURES**

Related parties include the subsidiary undertaking and the members of the board of Directors.

Transactions and balances with the subsidiary which are included in the parent company financial statements but have been eliminated on consolidation are as follows:

	2020	2019
	£	£
Included in Cost of sales		
Management charges to the subsidiary	56,954	14,402
Included in Administrative expenses		
Services purchased from the subsidiary	1,112,550	389,595
Included in Trade and other payables		
Amounts owed to group undertakings	176,532	87,519

Remuneration paid to the directors and key management personnel is shown in note 4.

23. **SHARE-BASED PAYMENT TRANSACTIONS**

During the year the group commenced its Employee Management Incentive scheme which will be settled by share based payments.

The scheme granted 43,941 share options on 24 September 2020 with a vesting period of 4 years from the date of employment. The estimated fair value of each share option granted in the Employee Management Incentive scheme is £0.17. The exercise price at the date of the grant of the share options is £0.17 and as a result of the fair value and exercise prices being equal there is no cost that needs to be accounted for as a share based payment.

At 31st December 2020 none of the employees have exercised their share options and there was a weighted average remaining contractual life of 9.75 years.

24. **RISK MANAGEMENT**

The company is exposed to various financial risks such as market risk (variation in foreign exchange rates, interest rates etc.), credit risk and liquidity risk. The company's risk management policy is aimed at limiting the negative impact of these risks on its financial results which are derived from the inability to predict financial markets and the changes in variables affecting costs and revenue.

The risk management policy is executed by the company's directors using the following procedure:

- Evaluation of risks related to the company's activities.
- Methodology planning and selection of any suitable actions for risk reduction.
- Execute risk management in accordance to the procedure approved by the directors.

Business Risk

The directors consider that the company's principal business risks are over-reliance on key customers. The directors are confident that the company is well placed to retain its existing customers and to also attract new business.

Financial instruments

The company's financial instruments are mainly comprised of bank deposits and amounts owed to and owed from third parties.

The carrying amounts reflected in the accompanying Statement of Financial Position for balances approximately their respective fair values due to the relatively short-term maturity of these financial instruments.

Quality Clouds Ltd

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2020

24. **RISK MANAGEMENT - continued**

Fair value of assets and liabilities

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Interest rate risk

At 31st December 2019 the company is exposed to changes in market interest rates through its cash and cash equivalents which are subject to variable interest rates. However, the directors do not believe the effect of interest rate fluctuations on cash and cash equivalents are material and that no significant negative result could derive from unfavourable fluctuations.

Liquidity risk

The company manages its liquidity by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in its day-to-day business. Liquidity needs are monitored in various time bands, on a daily, weekly and monthly basis.

Foreign exchange risk

Currency risk arises from the fair values, or the cash flows, of a financial instrument fluctuating due to changes in foreign currency exchange rates. The group has trade receivables in various currencies such as Sterling, the Euro and the US Dollar and a significant proportion of the group's payables are also denominated in foreign currencies.

With a high level of foreign currency income and foreign currency costs there is a significant exposure to currency risk because the LLP does not actively undertake currency hedging transactions. Risks have been managed successfully to date through the operation of bank accounts for each currency with low levels of foreign exchange differences in the current year or previous period.

Credit risk

Credit risk is the risk of financial loss to the group if a counterparty fails to meet its contractual obligations.

Maximum exposure to credit risk at the reporting date to which the group is exposed is the carrying value of the trade and other receivables and customer defaults could adversely affect the liquidity of the group. However, due to the large number of customers and the diversification of the customer base, there is an acceptable level of concentration of credit risk with respect to these receivables.

The group has established credit policies under which customers are analysed for creditworthiness and there is an effective management of receivables in place both before and after they become overdue and if they were to become doubtful. In monitoring credit risk, customers are grouped according to their credit risk characteristics, ageing profile and existence of previous financial difficulties. If customers were to be characterised as doubtful, they would be reassessed at each reporting date for the estimated loss that would be expected, and an appropriate impairment allowance would be established.