

Cloudfreach Acquisitions Limited

Annual report and financial statements

Registered number 10590576

For the year ended 31 July 2019



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Company Information

Directors:	Mr C P Noren (resigned 2 January 2019) Mr J Monico (resigned 2 January 2019) Mr G W J Bailhache (resigned 2 January 2019) Mr D L Johnson (resigned 2 January 2019) Mr M M Gordon (appointed 2 January 2019, resigned 1 April 2019) Mr A M Painter (appointed 6 January 2019, resigned 10 December 2019) Mr C Bunch (appointed 1 April 2019) Mr D Faure (appointed 10 December 2019) Mr R B Borcharding (appointed 10 December 2019)
Secretary:	Intertrust (UK) Limited (resigned 3 January 2019) Mrs R Orpwood (appointed 16 January 2019)
Registered Office:	3 rd Floor, Saffron House 6 – 10 Kirby Street London EC1N 8TS
Registered Number:	10590576
Auditor:	KPMG LLP 319 St Vincent Street Glasgow G2 5AS
Banker:	HSBC UK Bank Plc Scotland Corporate Banking Centre 141 Bothwell Street Glasgow G2 7EQ
Solicitor:	DLA Piper UK LLP 160 Aldersgate Street London EC1A 4HT

Strategic Report

The directors present their strategic report, in accordance with the Companies Act 2006, for the group for the year ended 31 July 2019.

Review of the Business

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

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

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

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

Cloudreach’s headquarters are in London and the company also has offices in Edinburgh. The Group also has offices in Amsterdam, Atlanta, Chicago, Berlin, Munich, New York, Paris, Switzerland, Vancouver, Pune, Norfolk, Dallas, Seattle, Washington DC, Philadelphia and Zurich.

Investment in Business

In February 2017, the Blackstone Group L.P. (“Blackstone”), one of the world’s leading investment firms, acquired a majority share in the Group, through the incorporation of this Company and the acquisition of the majority of the shares in Cloudreach Holdings Limited. Further cash investments were made by another new minority shareholder in June 2018. Further equity investments have been made by Blackstone and other minority shareholders during 2019 of £45.4m.

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

Strategic Report *(continued)*

Results and Performance

In 2019 the Group generated strong revenue growth by, both the addition of new customers and upselling to existing customers. All the Group's businesses recorded exceptional growth but particularly its Cloud Enablement and Cloud Operations businesses, where revenues increased by 72% and 57% respectively. Gross profit for the year was £23,182,000, 19% (2018: £18,217,000, 22%).

The Group delivered a loss on ordinary activities before tax for the year of £37,643,000 (2018: loss of £25,896,000). The shareholders' funds of the Group total £53,627,000 (2018: £88,759,000). The higher administrative expenses of the Group during 2019 reflects significant investment in the business with more resources being employed and integration costs associated with the Relus Cloud transaction supporting future growth and expansion.

People

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

Strategy

Cloudreach addresses the Cloud Consulting market, the Cloud Managed Services market, and the Cloud Software Platform market. Cloudreach delivers a range of services that addresses its customers cloud journeys from advisory services through to Cloud Migration and build out to cost infrastructure and cost management services.

In 2019 Cloudreach was again named as a "Leader" in Gartner's Magic Quadrant for Public Cloud Infrastructure Managed Service Providers, Worldwide.

Key Performance Indicators ('KPIs')

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

	2019	2018
Adjusted turnover <i>(non-GAAP)</i> *	£64.3m	£40.1m
Gross Margin	19%	22%
Average Number of Employees	792	469
Adjusted EBITDA <i>(non-GAAP)</i> **	£(23.4m)	£(12.2m)

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

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

Strategic Report *(continued)*

Principal Risks and Uncertainties

Financial Risks and Going Concern Risk

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

The directors have reviewed the detailed financial forecast for the period to 31 July 2022, including plausible downside impacts from the coronavirus outbreak, and believe that the Company and Group have sufficient resources available to them to continue as going concerns. This forecasting has included modelling the potential impact to the Company's subsidiary entities and to the Group of any downside to the future revenue pipeline and conversion to sales and associated consequences to the Company and Group's cash flows. The directors' and Group's Risk Council are closely monitoring on a daily basis the potential impacts, both operational and financial, to the Group's business. However, given uncertainty surrounding how long such lockdown and economic impacts will last, the Company and Group are unable to accurately estimate the future financial impact of the outbreak

The directors are closely monitoring the potential impact from Brexit. In addition to the UK, the Group operates in several other European locations and North America which mitigates any overall impact of Brexit on our operations.

Accordingly, the directors have adopted the going concern basis in preparing the annual report and financial statements as described in Note 1.2 on pages 18 and 19.

Credit Risk

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

Foreign Exchange Risk

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

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

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

Recruitment Risk

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

Economic Downturn Risk

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

Strategic Report *(continued)*

Principal Risks and Uncertainties *(continued)*

Brexit

The vote to leave the EU on 23 June 2016 has led to a period of uncertainty, whilst the government negotiates a new relationship with the EU and the rest of the world. The exit process could span years, could take many different forms; the Company is monitoring the situation closely and has completed a preliminary impact analysis and action plan. However, until further clarity is known regarding the future relationship between the UK and EU, the directors are not able to definitively assess the impact on the Company or Group or what the wider regulatory and legal consequences of the UK leaving the EU would be. The Board continues to monitor this on an ongoing basis to determine whether any action required to mitigate any risks expected to arise.

Coronavirus

In December 2019, an outbreak of a coronavirus disease 2019 (“COVID-19”) was identified in China. Early in 2020 COVID-19 was identified in the UK and other countries around the world, leading to the outbreak being declared a global pandemic by the World Health Organisation in March 2020. Subsequently the UK and other countries around the world in which the Group has operations (employees, customers or suppliers) have imposed lockdown measures on their populations to limit the spread of the coronavirus, which is highly contagious with no vaccine currently available. Consequently, global economic growth is expected to be adversely impacted throughout the remainder of calendar year 2020 and potentially beyond. The long term economic impacts globally and on a country by country basis are unknown and could be severe and long lasting. Short and long term impacts to the Group’s customers, suppliers or employees are unable to be predicted accurately, particularly if key employees or groups of employees fall ill, or key customers stop trading. The directors’ assessment of the impact of COVID-19 on the ability of the Company and Group to continue as a going concern is outlined in Note 1.2 on pages 18 and 19.

Partner Performance Risk

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

Future Developments

As outlined above, it is estimated that the worldwide market size for the Cloud Systems IaaS market will grow significantly into at least 2022. Cloudreach has reorganised to position itself for rapid growth across all aspects of the Cloud consulting, management and software markets. It has invested significantly in staff, systems and infrastructure, and is extremely focused on executing its grown plan by leveraging its strong market position and the calibre and ambition of its people.

By order of the board



Mr C Bunch
Director

21 July 2020

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

Directors' Report

The directors present their annual report and financial statements in respect of the year ended 31 July 2019.

Principal activities

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

Proposed dividend

The directors do not recommend the payment of a dividend (2018: £nil).

Directors

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

Mr C P Noren (resigned 2 January 2019)
Mr J Monico (resigned 2 January 2019)
Mr G W J Bailhache (resigned 2 January 2019)
Mr D L Johnson (resigned 2 January 2019)
Mr M M Gordon (appointed 2 January 2019, resigned 1 April 2019)
Mr A M Painter (appointed 6 January 2019, resigned 10 December 2019)
Mr C Bunch (appointed 1 April 2019)
Mr D Faure (appointed 10 December 2019)
Mr R B Borcharding (appointed 10 December 2019)

Employees

The Group invested heavily in recruiting exceptional people. At 31 July 2019, staff numbers totalled 924 (2018: 610).

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2018: £nil).

Going concern

Notwithstanding consolidated net current liabilities of £36,132,000 (company – net current assets £8,867,000) as at 31 July 2019, a consolidated loss for the year then ended of £35,134,000 (company - £12,356,000), consolidated operating cash outflows for the year of £24,334,000, and the significant challenges posed by the current global COVID-19 crisis, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for the period to 31 July 2022 which indicate that, taking account of reasonably plausible downsides, the company and group will have sufficient funds, through funding from its ultimate parent company, Cloudreach Topco Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Cloudreach Topco Limited not seeking repayment of the amounts currently due by the group and company, which at 31 July 2019 amounted to £67,731,000 (company - £364,000), and providing additional financial support during that period. Cloudreach Topco Limited has indicated its intention to continue to make available such funds as are needed by the group and company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company and group placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

However, the ability of Cloudreach Topco Limited to continue to provide this support is dependent on receipt of ongoing funding from its ultimate controlling party, Blackstone L.P.

Directors' Report *(continued)*

Going concern *(continued)*

The directors of Cloudreach Topco Limited have prepared cash flow forecasts for the period to 31 July 2022 which indicate that, taking account of reasonably plausible downsides, Cloudreach Topco Limited will have sufficient funds, through funding from its ultimate controlling party, Blackstone L.P., to meet its liabilities as they fall due and to continue to provide additional financial support to the group and company for that period. These forecasts show that additional funding of at least £12.5m will be required during the period covered by the cash flow forecasts of which the directors are aware.

This forecasting has included modelling the potential impact on Cloudreach Topco Limited and its subsidiaries of any reasonably plausible downsides to the future revenue pipeline, conversion to sales, and, associated consequences on cash flows as result of COVID-19. The directors and Group's Risk Council are closely monitoring on a daily basis the potential impacts of COVID-19, both operational and financial, to the group's business. However, given uncertainty surrounding how long such economic impacts will last, the directors are unable to accurately estimate the future financial impact of the COVID-19 outbreak.

Additionally, those forecasts are dependent on Blackstone L.P. providing additional financial support during that period. Blackstone L.P. has indicated its intention to continue to make available such funds as are needed by Cloudreach Topco Limited and its subsidiaries for the period covered by the forecasts. There is no formal commitment on which to place this reliance and therefore there is a risk that the company may not be able to access further funds at the point they are required.

As with any company placing reliance on its ultimate controlling party for financial support, the directors of Cloudreach Topco Limited acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. The Directors of the company have assessed the conclusions reached by the directors of Cloudreach Topco Limited and agree with their conclusions.

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

Post balance sheet events

The Group undertook cost restructuring activities between August 2019 and December 2019 reducing the total number of employees to 702 as at 31 December 2019.

The Group launched a share option scheme for certain employees in December 2019. The financial impact of the share option scheme is unknown as the exercise of the options is based on a number of circumstances, the timing of which is uncertain.

In December 2019, an outbreak of a coronavirus disease 2019 ("COVID-19") was identified in China. Early in 2020 COVID-19 was identified in the UK and other countries around the world, leading to the outbreak being declared a global pandemic by the World Health Organisation in March 2020. Subsequently the UK and other countries around the world in which the Group has operations (employees, customers or suppliers) have imposed lockdown measures on their populations to limit the spread of the coronavirus, which is highly contagious with no vaccine currently available. Consequently, global economic growth is expected to be adversely impacted throughout the remainder of calendar year 2020 and potentially beyond.

Directors' report *(continued)*

Post balance sheet events *(continued)*

The Group has assessed the plausible impacts to its future financial forecasts and budgets and, given the nature of its industry sector, is currently not anticipating any significant impacts to its ability to meet its business objectives and operating cash flows for the financial year to 31 July 2020. However, given uncertainty surrounding how long such lockdown and economic impacts will last, the Company and Group are unable to accurately estimate the future financial impact of the outbreak. The directors' assessment of the impact of COVID-19 on the ability of the Company and Group to continue as a going concern is outlined in Note 1.2 on pages 18 and 19.

On 4 March 2020, the Company's ultimate parent company, Cloudreach Topco Limited ("Topco"), signed a revolving credit facility agreement with a third party financier for £15 million. The term of the facility is 36 months. The facility is secured by a Letter of Credit provided by the Group's ultimate controlling party, Blackstone L.P. with any credit support costs reimbursable by Topco upon the occurrence of a Sale, Asset Sale or Winding up of Topco. The Company and its subsidiary entities will be provided working capital funding under the facility.

On 25 June 2020, to enable appropriate organisational alignment, the directors' approved a reorganisation transaction to transfer 100% ownership of Relus Acquisition LLC, a subsidiary of the Group's ultimate parent company, Cloudreach Topco Limited, down the chain of Group companies; from Cloudreach Topco Limited to Cloudreach Acquisitions Limited; from Cloudreach Acquisitions Limited to Cloudreach Holdings Limited; and from Cloudreach Holdings Limited to Cloudreach Inc.

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

Disclosure of information to auditor

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

Other information

An indication of likely future developments in the business and particulars of significant events that have occurred since the end of the financial period have been included in the Strategic Report on page 5.

Auditor

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

By order of the board



Mr C Bunch
Director

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

21 July 2020

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations or have no realistic alternative but to do so.

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



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

Opinion

We have audited the financial statements of Cloudreach Acquisitions Limited ("the company") for the year ended 31 July 2019 which comprise the Consolidated Profit and Loss account, the Consolidated Balance sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1.2 to the financial statements which indicates that the group incurred a net loss of £35,134,000 for the year (company – £12,356,000) and had net current liabilities of £36,132,000 (company – net current assets £8,867,000), and the group's and the parent company's ability to continue as a going concern is dependent on continued financial support from its ultimate parent, Cloudreach Topco Limited. However, the ability of Cloudreach Topco Limited to continue to provide this support is dependent on receipt of ongoing funding from its ultimate controlling party, Blackstone L.P. While Blackstone L.P. has indicated its intention to continue to make available such funds as are needed by Cloudreach Topco Limited and its subsidiaries, there is no formal commitment in place.

These events and conditions, along with the other matters explained in note 1.2, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Strategic report and directors' report

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

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

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



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

(continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

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

21 July 2020

Consolidated Profit and Loss Account and Other Comprehensive income
for the year ended 31 July 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	3	123,085	81,731
Cost of sales		<u>(99,903)</u>	<u>(63,514)</u>
Gross profit		23,182	18,217
Other income		114	-
Administrative expenses		<u>(60,054)</u>	<u>(43,879)</u>
Operating loss	4	(36,758)	(25,662)
Impairment of intangible assets	11	(566)	-
Interest receivable and similar charges	7	2,668	337
Interest payable and similar charges	8	<u>(2,987)</u>	<u>(571)</u>
Loss on ordinary activities before taxation		(37,643)	(25,896)
Tax on loss on ordinary activities	9	3,703	3,583
Loss for the financial period		<u>(33,940)</u>	<u>(22,313)</u>
Other comprehensive income			
Foreign exchange differences on translation of foreign operations		<u>(1,194)</u>	<u>(68)</u>
Total comprehensive loss for the period		<u>(35,134)</u>	<u>(22,381)</u>

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

The accompanying notes on pages 18 to 39 form part of these financial statements.

Consolidated Balance Sheet
as at 31 July 2019

	<i>Note</i>	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	<i>11</i>		92,293		99,239
Tangible assets	<i>12</i>		1,403		1,603
			<hr/>		<hr/>
			93,696		100,842
Current assets					
Debtors (including £6,508k (2018: £834k) due after more than one year)	<i>14</i>	64,723		27,037	
Cash at bank and in hand	<i>15</i>	2,726		21,445	
		<hr/>		<hr/>	
		67,449		48,482	
Creditors: amounts falling due within one year	<i>16</i>	(103,581)		(58,243)	
		<hr/>		<hr/>	
Net current liabilities			(36,132)		(9,761)
			<hr/>		<hr/>
Total assets less current liabilities			57,564		91,081
Creditors: amounts falling due after more than one year	<i>17</i>		(3,939)		(2,322)
			<hr/>		<hr/>
Net assets			53,625		88,759
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	<i>19</i>		99,741		99,741
Share premium account	<i>19</i>		15,420		15,420
Foreign exchange reserve			(1,116)		78
Profit and loss account			(60,420)		(26,480)
			<hr/>		<hr/>
Shareholders' funds			53,625		88,759
			<hr/>		<hr/>

The accompanying notes on pages 18 to 39 form part of these financial statements.

These financial statements were approved by the board of directors on 21 July 2020 and were signed on its behalf by:


Mr C Bunch
Director


Company registered number: 10590576

Company Balance Sheet
as at 31 July 2019

	<i>Note</i>	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Investments	13		93,759		106,532
			<u>93,759</u>		<u>106,532</u>
Current assets					
Debtors	14	9,351		8,880	
		<u>9,351</u>		<u>8,880</u>	
Creditors: amounts falling due within one year	16	(484)		(430)	
		<u>9,351</u>		<u>8,880</u>	
Net current assets			8,867		8,450
			<u>8,867</u>		<u>8,450</u>
Total assets less current liabilities			102,626		114,982
			<u>102,626</u>		<u>114,982</u>
Net assets			102,626		114,982
			<u>102,626</u>		<u>114,982</u>
Capital and reserves					
Called up share capital	19		99,741		99,741
Share premium account	19		15,420		15,420
Profit and loss account			(12,535)		(179)
			<u>99,741</u>		<u>99,741</u>
			<u>15,420</u>		<u>15,420</u>
			<u>(12,535)</u>		<u>(179)</u>
Shareholders' funds			102,626		114,982
			<u>102,626</u>		<u>114,982</u>

The accompanying notes on pages 18 to 39 form part of these financial statements.

These financial statements were approved by the board of directors on 21 July 2020 and were signed on its behalf by:


Mr C Bunch
Director

Company registered number: 10590576

Consolidated Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Foreign exchange reserve £000	Profit & loss account £000	Total equity £000
Balance as at 1 August 2017	75,709	15,420	146	(4,167)	87,108
Total comprehensive income for the year					
Loss for the financial year	-	-	-	(22,313)	(22,313)
Foreign exchange differences	-	-	(68)	-	(68)
Total comprehensive loss for the period	-	-	(68)	(22,313)	(22,381)
Transactions with owners, recorded directly in equity					
Shares issued during the year	24,032	-	-	-	24,032
Total contributions by owners	24,032	-	-	-	24,032
Balance at 31 July 2018	99,741	15,420	78	(26,480)	88,759
Balance at 1 August 2018	99,741	15,420	78	(26,480)	88,759
Total comprehensive income for the year					
Loss for the financial year	-	-	-	(33,940)	(33,940)
Foreign exchange differences	-	-	(1,194)	-	(1,194)
Total comprehensive loss for the period	-	-	(1,194)	(33,940)	(35,134)
Transactions with owners, recorded directly in equity					
Foreign exchange differences	-	-	-	-	-
Total contributions by owners	-	-	-	-	-
Balance at 31 July 2019	99,741	15,420	(1,116)	(60,420)	53,625

The accompanying notes on pages 18 to 39 form part of these financial statements

Company Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Profit & loss account £000	Total equity £000
Balance as at 1 August 2017	75,709	15,420	(489)	90,640
Total comprehensive income for the period				
Profit for the financial year	-	-	310	310
Total comprehensive income for the year	-	-	310	310
Transactions with owners, recorded directly in equity				
Shares issued during the year	24,032	-	-	24,032
Total contributions by owners	24,032	-	-	24,032
Balance at 31 July 2018	99,741	15,420	(179)	114,982
Balance at 1 August 2018	99,741	15,420	(179)	114,982
Total comprehensive income for the period				
Loss for the financial year	-	-	(12,356)	(12,356)
Total comprehensive income for the year	-	-	(12,356)	(12,356)
Transactions with owners, recorded directly in equity				
Shares issued during the year	-	-	-	-
Total contributions by owners	-	-	-	-
Balance at 31 July 2019	99,741	15,420	(12,535)	102,626

The accompanying notes on pages 18 to 39 form part of these financial statements

Consolidated Cash Flow Statement
for period ended 31 July 2019

	<i>Note</i>	2019 £000	2018 £000
Cash flows from operating activities			
Loss for the period		(33,940)	(22,313)
<i>Adjustments for:</i>			
Depreciation	12	634	239
Amortisation of intangible assets	11	7,358	7,427
Impairment of intangibles assets	11	566	-
Other income		(114)	-
Unrealised foreign exchange losses		(1,603)	(205)
Interest receivable and similar income	7	(945)	-
Interest payable and similar charges	8	2,987	571
Taxation	9	(3,703)	(3,583)
		(28,760)	(17,864)
Increase in trade and other debtors	14	(9,185)	(9,408)
Increase in trade and other creditors	16/17	14,072	3,397
		(23,873)	(23,875)
Tax paid		(471)	(127)
Interest received / (paid)	7/8	10	(40)
		(471)	(167)
Net cash outflow from operating activities		(24,334)	(24,042)
Cash flows from investing activities			
Acquisition of subsidiaries	20	-	(8,750)
Acquisition of trade and assets of business	20	-	(2,487)
Net cash balance acquired with subsidiaries	20	-	74
Legal costs paid for acquisitions	20	-	(793)
Acquisition of intangible assets	11	(188)	-
Acquisition of tangible fixed assets	12	(528)	(1,615)
		(716)	(13,571)
Net cash outflow from investing activities		(716)	(13,571)
Cash flows from financing activities			
Proceeds from issue of share capital		-	19,612
Proceeds from borrowings from parent company		24,909	38,912
Interest-bearing loan advance to parent company		(1,475)	-
Interest-bearing loan advance from related party	23	2,751	-
Interest-bearing loan advance to related party	23	(19,854)	-
Repayment of loan notes upon acquisition of subsidiaries		-	(3,420)
		6,331	55,104
Net cash inflow from financing activities		6,331	55,104
Net (decrease) / increase in cash and cash equivalents	15	(18,719)	17,491
Cash and cash equivalents at 1 August	15	21,445	3,954
		21,445	3,954
Cash and cash equivalents at 31 July	15	2,726	21,445

The accompanying notes on pages 18 to 39 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

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

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

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

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

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

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

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

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Notwithstanding consolidated net current liabilities of £36,132,000 (company – net current assets £8,880,000) as at 31 July 2019, a consolidated loss for the year then ended of £35,134,000 (company - £12,356,000), consolidated operating cash outflows for the year of £24,334,000, and the significant challenges posed by the current global COVID-19 crisis, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for the period to 31 July 2022 which indicate that, taking account of reasonably plausible downsides, the company and group will have sufficient funds, through funding from its ultimate parent company, Cloudreach Topco Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Cloudreach Topco Limited not seeking repayment of the amounts currently due by the group and company, which at 31 July 2019 amounted to £67,731,000 (company - £364,000), and providing additional financial support during that period. Cloudreach Topco Limited has indicated its intention to continue to make available such funds as are needed by the group and company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company and group placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Notes (continued)

1 Accounting policies (continued)

1.2 Going concern (continued)

However, the ability of Cloudreach Topco Limited to continue to provide this support is dependent on receipt of ongoing funding from its ultimate controlling party, Blackstone L.P.

The directors of Cloudreach Topco Limited have prepared cash flow forecasts for the period to 31 July 2022 which indicate that, taking account of reasonably plausible downsides, Cloudreach Topco Limited will have sufficient funds, through funding from its ultimate controlling party, Blackstone L.P., to meet its liabilities as they fall due and to continue to provide additional financial support to the group and company for that period. These forecasts show that additional funding of at least £12.5m will be required during the period covered by the cash flow forecasts of which the directors are aware.

This forecasting has included modelling the potential impact on Cloudreach Topco Limited and its subsidiaries of any reasonably plausible downsides to the future revenue pipeline, conversion to sales, and, associated consequences on cash flows as result of COVID-19. The directors and Group's Risk Council are closely monitoring on a daily basis the potential impacts of COVID-19, both operational and financial, to the group's business. However, given uncertainty surrounding how long such economic impacts will last, the directors are unable to accurately estimate the future financial impact of the COVID-19 outbreak.

Additionally, those forecasts are dependent on Blackstone L.P. providing additional financial support during that period. Blackstone L.P. has indicated its intention to continue to make available such funds as are needed by Cloudreach Topco Limited and its subsidiaries for the period covered by the forecasts. There is no formal commitment on which to place this reliance and therefore there is a risk that the company may not be able to access further funds at the point they are required.

As with any company placing reliance on its ultimate controlling party for financial support, the directors of Cloudreach Topco Limited acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. The Directors of the company have assessed the conclusions reached by the directors of Cloudreach Topco Limited and agree with their conclusions.

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

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 July 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

Notes (continued)

1 Accounting policies (continued)

1.4 Foreign currency

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

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

1.5 Basic financial instruments

Trade and other debtors / creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.6 Intangible Assets

Goodwill

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

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

Software assets

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

Notes (continued)

1.6 Intangible Assets (continued)

Other intangible assets

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

Amortisation

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

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

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

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

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

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

1.7 Tangible fixed assets

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

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

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

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

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

The estimated useful lives are as follows:

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

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

Dilapidations

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

Notes (continued)

1 Accounting policies (continued)

1.8 Business combinations

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

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

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

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

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

Employee share purchase plans

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

Share-based payment transactions

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

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

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

1.10 Provisions

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

Notes (continued)

1 Accounting policies (continued)

1.11 Turnover

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

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

1.12 Expenses

Operating lease

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

Interest receivable and Interest payable

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

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

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

1.13 Taxation

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

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

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

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

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

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

2 Significant accounting judgements and estimates

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

Intangible assets

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

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

Fixed asset investments

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

Tangible assets

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

Trade debtors

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

Prepayments and accrued income

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

Deferred tax asset

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

Provisions for liabilities

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

Notes (continued)

3 Turnover

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

4 Expenses and auditor's remuneration

	2019 £000	2018 £000
<i>Operating loss is stated after charging:</i>		
Depreciation of tangible assets	634	239
Amortisation of intangible assets, including goodwill	7,358	7,427
Operating lease rentals	3,025	2,054
<i>Auditor's remuneration:</i>		
Audit of these financial statements	105	78
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	95	78
	<u> </u>	<u> </u>

5 Remuneration of directors

	2019 £000	2018 £000
Directors' emoluments	666	241
Company contribution to defined contribution scheme	8	4
	<u> </u>	<u> </u>
	674	245
	<u> </u>	<u> </u>

There were seven directors during 2019 (2018: four). The aggregate of remuneration of the highest paid director was £384,000 (2018: £245,000). Pension contributions were made on the behalf of the Directors by the Group during the year of £8,000 (2018: £4,000).

6 Staff numbers and costs

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

	Group 2019	Group 2018
Engineers	518	299
Administrative and Operations Staff	274	170
	<u> </u>	<u> </u>
	792	469
	<u> </u>	<u> </u>

Notes *(continued)*

6 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries, including commissions and bonuses	65,517	37,488
Social security costs	5,843	3,886
Other pension costs	1,655	587
Other benefits	122	584
	73,137	42,545
	73,137	42,545

7 Interest receivable and similar charges

	<i>Note</i>	2019 £000	2018 £000
Net exchange gains		1,723	337
Bank interest		6	-
Interest receivable on directors' loan	23	3	-
Interest receivable on employee loan advances		5	-
Interest receivable from related party	23	931	-
		2,668	337
		2,668	337

8 Interest payable and similar charges

	<i>Note</i>	2019 £000	2018 £000
Interest payable to parent company		2,770	531
Interest payable to related party	23	155	-
Interest paid to ultimate controlling party		-	40
Finance expense		62	-
		2,987	571
		2,987	571

Notes (continued)

9 Taxation

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

	2019 £000	2019 £000	2018 £000	2018 £000
<i>Current tax</i>				
Current tax expense on income for the period		246		154
Current tax expense on outstanding directors' loan		65		-
		<hr/>		<hr/>
Total current tax		311		154
<i>Deferred tax (see note 18)</i>				
Origination and reversal of timing differences	(4,014)		(3,737)	
	<hr/>		<hr/>	
Total deferred tax		(4,014)		(3,737)
		<hr/>		<hr/>
Total tax		(3,703)		(3,583)
		<hr/> <hr/>		<hr/> <hr/>

	Current tax £000	2019 Deferred tax £000	Total tax £000	Current tax £000	2018 Deferred tax £000	Total tax £000
Recognised in Profit and loss account	311	(4,014)	(3,703)	154	(3,737)	(3,583)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax	311	(4,014)	(3,703)	154	(3,737)	(3,583)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Analysis of current tax recognised in profit and loss

	2019 £000	2018 £000
UK corporation tax	(135)	136
Foreign tax	446	18
	<hr/>	<hr/>
Total current tax recognised in profit and loss	311	154
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

9 Taxation (continued)

Reconciliation of effective tax rate

	2019 £000	2018 £000
Loss for the year	(33,940)	(22,313)
Total tax benefit	(3,703)	(3,583)
Loss excluding taxation	<u>(37,643)</u>	<u>(25,896)</u>
Tax using the UK corporation tax rate of 19% (2018: 19%)	(7,152)	(4,920)
Effect of tax rates in foreign jurisdictions	(127)	(2,645)
Reduction in tax rates	1,143	408
Tax effects of:		
Non-deductible expenses	1,614	343
Non-deductible impairment expense	108	-
Current year losses for which no deferred tax asset is recognised	591	3,379
Increase arising from group tax relief reconciliation	513	-
Tax paid on outstanding director's loan	65	-
Effect of release of deferred tax liability recognised on intangibles as part of a business combination	(577)	-
Changes in estimates related to prior period	107	(41)
Effects of movement in foreign exchange	-	(14)
Other items	12	(93)
	<u>(3,703)</u>	<u>(3,583)</u>

Factors affecting the future current and total tax charges

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

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 July 2019 has been calculated based on this rate. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the Group's deferred tax asset would have increased by £495,000.

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

10 Loss of parent company

As permitted by section 408 of the Companies Act 2006, the Profit and Loss statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £12,356,000 (2018: £310,000 profit). The parent company's loss for the financial year includes an impairment charge of £12,773,000 (2018: £nil).

Notes (continued)

11 Intangible assets

Group	Supplier relationships £000	Goodwill £000	Software £000	Total £000
Cost				
At beginning of year	50,876	58,528	-	109,404
Additions	-	-	188	188
Transfer from Tangible fixed assets	-	-	538	538
Effects of movements in foreign exchange	-	285	-	285
At end of year	50,876	58,813	726	110,415
Accumulated amortisation and impairment				
At beginning of year	4,946	5,219	-	10,165
Charge for the year	3,391	3,774	193	7,358
Impairment charge	-	566	-	566
Effects of movements in foreign exchange	-	33	-	33
Balance at 31 July 2019	8,337	9,592	193	18,122
Net book value				
At 31 July 2019	42,539	49,221	533	92,293
At 31 July 2018	45,930	53,309	-	99,239

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

Notes (continued)

12 Tangible fixed assets

Group	Computer equipment £000	Fixtures, fittings, tools & equipment £000	Leasehold improvements £000	Capital work in progress £000	Total £000
Cost					
At beginning of year	534	404	509	538	1,985
Additions	512	16	445	-	973
Transfer to Intangible Assets	-	-	-	(538)	(538)
Disposals	(403)	(47)	(6)	-	(456)
Effects of movements in foreign exchange	24	9	6	-	39
At end of year	667	382	954	-	2,003
Depreciation					
At beginning of year	227	104	51	-	382
Charge for the year	278	74	282	-	634
Disposals	(403)	(47)	-	-	(450)
Effects of movements in foreign exchange	20	4	10	-	34
At end of year	122	135	343	-	600
Net book value					
At 31 July 2019	545	247	611	-	1,403
At 31 July 2018	307	300	458	538	1,603

13 Fixed asset investments

Share in group undertakings	£000
Cost	
At beginning of year	106,532
Impairment charge	(12,773)
At end of year	93,759
Net book value	
At 31 July 2019	93,759
At 31 July 2018	106,532

The 2019 financial result of the Company's wholly owned subsidiary, Cloud reach Holdings limited, and its subsidiary entities, Clouodreach Europe Limited and Cloudreach Inc and associated capital and reserves as at 31 July 2019, led to an impairment assessment being undertaken with a third party specialist engaged to support this process. As result, the company's investment in Cloudreach Holdings Limited has been impaired by £12,773,000 (2018: £nil).

Notes (continued)

13 Fixed asset investments (continued)

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

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

Principal activity	Capital & Reserves		Profit / (loss)	
	2019	2019	2019	2019
	£000	£000	£000	£000
Cloudreach Holdings Limited	Holding company	7,479	(24,473)	
Cloudreach Europe Limited	IT solutions for cloud computing	(26,299)	(14,334)	
Cloudreach Inc.	IT solutions for cloud computing	(8,990)	(22,330)	
Cloudreach Canada Inc.	IT solutions for cloud computing	266	87	
Cloudreach GmbH	IT solutions for cloud computing	921	315	
Cloudreach SAS	IT solutions for cloud computing	567	133	
Cloudreach BV	IT solutions for cloud computing	596	104	
Cloudreach Switzerland GmbH	IT solutions for cloud computing	174	66	
Cloudreach AB	IT solutions for cloud computing	(2)	(2)	
Cloudamize Inc.	Software solutions for cloud computing	(11,365)	(3,113)	
Cloudamize Technologies Private Ltd	Software solutions for cloud computing	33	41	

Subsidiary registered addresses are as follows:

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

Notes (continued)

14 Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade debtors	22,037	13,660	-	-
Amounts owed by parent company (note 23)	1,521	-	-	-
Amounts owed by group undertakings	-	-	9,345	8,880
Other debtors	1,980	895	6	-
Prepayments and accrued income	12,313	12,482	-	-
Employee and director loans (note 23)	567	-	-	-
Deferred tax asset (note 18)	5,520	-	-	-
Amount owed from related party (note 23)	20,785	-	-	-
	<u>64,723</u>	<u>27,037</u>	<u>9,351</u>	<u>8,880</u>

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

Total debtors include prepayments and accrued income of £672,000 (2018: £834,000), other debtors of £114,000 (2018: £nil), employee and director loans of £202,000 (2018: £nil) and deferred tax assets of £5,520,000 (2018: £nil) due after more than one year in respect of the Group.

15 Cash at bank and in hand

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash at bank and in hand	2,388	21,131	-	-
Security deposits (restricted cash)	338	314	-	-
	<u>2,726</u>	<u>21,445</u>	<u>-</u>	<u>-</u>

Restricted cash includes security deposits for offices and credit cards.

16 Creditors: amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade creditors	22,865	5,249	24	-
Taxation and social security	1,650	1,759	-	-
Other creditors	540	905	-	-
Accruals and deferred income	7,702	10,888	10	-
Amount owed to parent company (note 23)	67,731	39,442	364	357
Amount owed to subsidiary undertakings	-	-	86	-
Amounts owed to related party (note 23)	2,905	-	-	-
Corporation tax	188	-	-	73
	<u>103,581</u>	<u>58,243</u>	<u>484</u>	<u>430</u>

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

Notes (continued)

17 Creditors: amounts falling due after more than one year

	Group 2019 £000	Group 2018 £000	Com pany 2019 £000	Company 2018 £000
Other payables	402	452	-	-
Provision for office remediation costs	509	-	-	-
Deferred tax liability (note 18)	3,028	1,870	-	-
	<u>3,939</u>	<u>2,322</u>	<u>-</u>	<u>-</u>

18 Deferred tax assets and liabilities

Group

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

	USA	Netherlands	Group	Group
	2019 £000	2019 £000	2019 £000	2018 £000
Unused tax losses	5,085	-	5,085	-
Other	84	91	175	-
Effects of movements in foreign exchange	258	2	260	-
	<u>5,427</u>	<u>93</u>	<u>5,520</u>	<u>-</u>

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

	UK	Canada	Group	Group
	2019 £000	2019 £000	2019 £000	2018 £000
Unused tax losses	4,199	-	4,199	5,938
Arising on business combinations	(7,232)	-	(7,232)	(7,808)
Other	6	(1)	5	-
	<u>(3,027)</u>	<u>(1)</u>	<u>(3,028)</u>	<u>(1,870)</u>

Tax losses are deemed recoverable against future profits. Total unrecognised tax losses in the group are £4,344,000 (2018: £3,788,000).

Notes (continued)

19 Capital and reserves

Share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
99,740,985 (2018 : 99,740,985) Ordinary shares of £1 each	99,741	99,741
	<u>99,741</u>	<u>99,741</u>

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Share Premium account

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

Other reserves

Foreign Exchange Reserve

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

Notes (continued)

20 Business combinations

2018

Acquisition of subsidiaries

On 1 August 2017, the Group acquired 100% of the following companies:

Cloudamize Inc.
 Cloudamize Technologies Private Limited

The acquired company's principal activity is the development and marketing of cloud-based IT software solutions.

The total consideration for the acquisition was £12,405,000 with integration and staff retention costs of £3,320,000 recognised in the profit and loss. In calculating the goodwill arising on acquisition, the fair value of the net assets of the above companies was assessed as follows:-

	Book value £000	Fair value £000
Cash	74	74
Trade debtors	211	211
Creditors: due in one year	(3,862)	(3,862)
	<u> </u>	<u> </u>
Total liabilities	(3,577)	(3,577)
	<u> </u>	<u> </u>
Fair value of net assets	(3,577)	(3,577)
	<u> </u>	<u> </u>
Total cost of business combination		£000
Consideration paid:		
Initial cash price paid		8,750
Legal costs paid on acquisition		602
Shares issued		3,053
		<u> </u>
Total consideration		12,405
Goodwill on acquisition (note 11)		15,982
		<u> </u>

Fair value adjustments

No fair value adjustments were made.

Notes (continued)

20 Business combinations (continued)

Acquisition of trade and assets of business

On 4 August 2017, Cloudreach Inc. acquired the trade and assets of Emerging Technology Advisers LLC (“ETA”) whose principal activity is to provide digital transformation and corporate innovation professional services.

The total consideration for the acquisition of laptops and employee contracts was £3,630,000 with integration and staff retention costs of £416,000 recognised in the profit and loss.

Total cost of asset acquisition:-

Total cost of asset acquisition on	£000
Consideration paid:	
Initial cash price paid	2,487
Shares issued	1,143
	<hr/>
Total consideration	3,630
	<hr/>
Directly attributable costs	191
Goodwill on acquisition (note 11)	3,821
	<hr/> <hr/>

Fair value adjustments

No fair value adjustments were made.

21 Commitments

Non-cancellable operating lease rentals are payable as follows :

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Less than one year	2,847	1,866	-	-
Between one and five years	3,645	3,970	-	-
More than five years	2,078	2,779	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	8,570	8,615	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year £3,025,000 was recognised as an expense in the profit and loss account in respect of operating leases (2018: £2,054,000).

Non-cancellable finance lease rentals are payable as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Less than one year	4	8	-	-
Between one and five years	-	4	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4	12	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

22 Pension scheme

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £1,655,000 (2018: £587,000).

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

The Company does not operate a defined contribution pension scheme.

23 Related party disclosures

Group

Identity of related parties with which the Group has transacted

Relus Acquisition LLC

During the year the Group transacted with Relus Acquisition LLC (“Relus”). The entities are related by virtue of the Group’s ultimate parent undertaking, Cloudreach Topco Limited, having common control over both entities.

During the year the Group provided operational support to external clients of Relus. The services were recharged to Relus on an arms-length basis and for the year totalled £1,913,000 (2018: £nil).

The Group also provided back office support, such as, executive management, finance, HR, IT and Legal services, to Relus. The costs of these services were recharged to Relus on an arms-length basis and for the year to 31 July 2019 totalled £3,609,000 (2018: £nil).

During the year the Group provided unsecured working capital funding to Relus. A market rate of interest on the funding was charged each quarter. Net interest receivable to the Group from Relus for the year ended 31 July 2019 totalled £776,000 (2018: £nil). As at 31 July 2019 the net amount outstanding owed by Relus to the Group, including capitalised interest, was £17,880,000 (31 July 2018: £nil). The balance outstanding is repayable on demand.

Cloudreach Topco Limited

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

During the year the Group provided executive management strategic and legal support services to Topco. The costs of these services were recharged from the Group to Topco on an arms-length basis and for the year to 31 July 2019 totalled £364,000 (2018: £nil).

As at 31 July 2019 Cloudreach Europe Limited provided group tax relief from accumulated tax losses to Topco of £513,000 (2018: £472,000).

During the year the Group received unsecured working capital funding from Topco. A market rate of interest on the funding was charged each quarter. Interest payable to Topco from the Group for the year ended 31 July 2019 totalled £2,770,000 (2018: £531,000).

As at 31 July 2019 the net balance owed by the Group to Topco, including capitalised interest, was £66,210,000 (31 July 2018: £39,442,000). The balance outstanding is repayable on demand.

Notes (continued)

23 Related party disclosures (continued)

Group

Identity of related parties with which the Group has transacted (continued)

Director's and employee loans

During the prior year, the Group advanced a loan amounting to £200,001 to a member of key management personnel (including the directors). In the current financial period, the employee was appointed a director of the Company. The loan is to be repaid on 15 February 2021 and the rate of interest charged is at the HMRC official rate of interest. Interest accrues on a 365 day a year basis with interest payable, in cash, on 5 April annually. The loan outstanding plus accrued interest is repayable immediately if the individual is no longer employed by the Group on 21 February 2021 or one of the repayment terms is triggered under the agreement. No repayment of the loan or accrued interest is required after the 21 February 2021 or upon the occurrence of a Sale, Asset Sale or Winding Up of the Group, if the individual is still employed by the Group.

Additionally, during the financial year, the Group provided a non-interest bearing advance of £21,063 to a member of key management personnel in order to fund the purchase of shares in the Company's ultimate parent company, Cloudeach Topco Limited. The advance was forgiven during the year to 31 July 2020 along with the cancellation of the shares that it funded.

At balance date, both loans advanced were still outstanding and are presented with Debtors: Employee and Director loans (note 14).

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the year amounted to £2,648,000 (2018: £2,214,000).

Company

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

Identity of related parties with which the Company has transacted

Cloudeach Topco Limited

During the year the Company received unsecured funding from Topco. A market rate of interest on the funding was charged each quarter. Interest payable to Topco from the Company for the year ended 31 July 2019 totalled £17,000 (2018: £16,000).

As at 31 July 2019 the balance owed by the Company to Topco, including capitalised interest, was £364,000 (31 July 2018: £347,000). The balance outstanding is repayable on demand.

24 Ultimate parent company and parent undertaking of larger group

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

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

Notes (continued)

24 Subsequent events

The Group undertook cost restructuring activities between August 2019 and December 2019 reducing the total number of employees to 702 as at 31 December 2019.

The Group launched a share option scheme for certain employees in December 2019. The financial impact of the share option scheme is unknown as the exercise of the options is based on a number of circumstances, the timing of which is uncertain.

In December 2019, an outbreak of a coronavirus disease 2019 (“COVID-19”) was identified in China. Early in 2020 COVID-19 was identified in the UK and other countries around the world, leading to the outbreak being declared a global pandemic by the World Health Organisation in March 2020. Subsequently the UK and other countries around the world in which the Group has operations (employees, customers or suppliers) have imposed lockdown measures on their populations to limit the spread of the coronavirus, which is highly contagious with no vaccine currently available. Consequently, global economic growth is expected to be adversely impacted throughout the remainder of calendar year 2020 and potentially beyond.

The Group has assessed the plausible impacts to its future financial forecasts and budgets and, given the nature of its industry sector, is currently not anticipating any significant impacts to its ability to meet its business objectives and operating cash flows for the financial year to 31 July 2020. However, given uncertainty surrounding how long such lockdown and economic impacts will last, the Company and Group are unable to accurately estimate the future financial impact of the outbreak. The directors' assessment of the impact of COVID-19 on the ability of the Company and Group to continue as a going concern is outlined in Note 1.2 on pages 18 and 19.

On 4 March 2020, the Company's ultimate parent company, Cloudreach Topco Limited (“Topco”), signed a revolving credit facility agreement with a third party financier for £15 million. The term of the facility is 36 months. The facility is secured by a Letter of Credit provided by the Group's ultimate controlling party, Blackstone L.P. with any credit support costs reimbursable by Topco upon the occurrence of a Sale, Asset Sale or Winding up of Topco. The Company and its subsidiary entities will be provided working capital funding under the facility.

On 25 June 2020, to enable appropriate organisational alignment, the directors' approved a reorganisation transaction to transfer 100% ownership of Relus Acquisition LLC, a subsidiary of the Group's ultimate parent company, Cloudreach Topco Limited, down the chain of Group companies; from Cloudreach Topco Limited to Cloudreach Acquisitions Limited; from Cloudreach Acquisitions Limited to Cloudreach Holdings Limited; and from Cloudreach Holdings Limited to Cloudreach Inc.

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