

CloudSense Ltd

Annual Report and Financial Statements

Year Ended

31 January 2023

Company Number 07072194

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CloudSense Ltd

Company Information

Directors	D Dubokovic J W English
Registered number	07072194
Registered office	Liberty House 222 Regent Street London W1B 5TR
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

CloudSense Ltd

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CloudSense Ltd

Strategic Report For the Year Ended 31 January 2023

The directors present the Strategic Report of CloudSense Ltd (the "Company") for the year ended 31 January 2023.

Business review

CloudSense Ltd and its subsidiaries comprise sales, support, R&D and professional services operations across Europe, South Africa, USA, Australia and Asia. The subsidiaries are consolidated at the Vector CS Holdings Ltd level and their performance is reported there.

CloudSense Ltd is a wholly owned subsidiary of Vector CS Bidco Limited and is included in the consolidated financial statements of Vector CS Holdings Ltd, which are publically available.

CloudSense Ltd made a profit for the financial year to 31 January 2023 of £3k (2022: loss of £3,705k). As at 31 January 2023 the Company's net liabilities were £27,534k (2022: £27,537k).

Revenue has increased by 16% to £24,122k due to favourable retention performance. As a result of this revenue increase and improved cost saving, profit for the Company has increased to £3k from a loss of £3,705k in the prior financial year.

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

CloudSense Ltd continued to invest in R&D during the year and the directors look forward to the next year as the Company continues to build momentum in the global market to be a leading commerce and subscriber management SaaS vendor.

Principal risks and uncertainties

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

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

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

Key performance indicators

CloudSense Ltd turnover increased by 16% from £20,838k (as restated) for the year ended 31 January 2022 to £24,122k for the year ended 31 January 2023.


Other key performance indicators

The average number of employees decreased by 26% from 69 for the year ended 31 January 2022 to 51 for the year ended 31 January 2023.

CloudSense Ltd

Strategic Report (continued) For the Year Ended 31 January 2023

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

DocuSigned by:

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J W English
Director

Date: 21 November 2023

CloudSense Ltd

Directors' Report For the Year Ended 31 January 2023

The directors present their annual report and the audited financial statements of CloudSense Ltd (the "Company") for the year ended 31 January 2023.

Principal activities

The principal activity of the Company is that of provider of subscription software products and implementation consultancy. Its services are primarily cloud computing centric.

Results and dividends

The profit for the financial year, after taxation, amounted to £3k (2022: loss of £3,705k).

The directors do not propose the payment of dividend (2022: £Nil).

Directors

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

D Dubokovic
J W English
A R Fuller (resigned 15 February 2022)

Directors' responsibilities statement

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

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

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

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

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

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

CloudSense Ltd

Directors' Report (continued) For the Year Ended 31 January 2023

Research and development

Research and development activities are discussed in the Strategic Report.

Future developments

CloudSense Ltd is expected to remain as a trading entity.

Financial risk management

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

Liquidity risk

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

Credit risk

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

Emission and energy consumption

The Company collectively consumed less than 40,000 kWh of energy annually in the United Kingdom.

CloudSense Ltd

Directors' Report (continued) For the Year Ended 31 January 2023

Going concern

The financial statements are prepared on a going concern basis which assumes that the Company will continue in business for the foreseeable future being for a period of at least 12 months from the date of approval of these financial statements.

Cloudsense Ltd is an indirect subsidiary of Vector CS Holdings Ltd and has intercompany payables and intercompany receivables due from other companies in the Vector CS Holdings Group.

The Directors have prepared financial forecasts for 12 months from the date of approval of these financial statements and the Company is reliant on the Group, Vector CS Holdings Ltd, for financial support.

The Group financial statements included a material uncertainty regarding going concern as loan covenants have been breached resulting in the loan being repayable on demand in addition to the loan maturing in May 2024 and should the Directors be unable to re-negotiate the loan term with the existing lender or were the loan to be recalled before maturity, the Group will require additional funding which is not yet secured.

As the company is reliant on the Group for financial support and the Group consolidated financial statements included a material uncertainty related to going concern which may have a direct impact on the Group's ability to provide required financial support to the Company, this event or condition indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors of Vector CS Holdings Ltd are confident that additional funding will be obtained whether through new equity or new debt or otherwise that they will be able to re-negotiate the loan term with the existing lender, and therefore the Directors of the Company consider that the funding will be forthcoming hence the going concern basis of preparation is deemed appropriate.


The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Disclosure of information to auditor

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

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

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

DocuSigned by:

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J W English
Director

Date: 21 November 2023

CloudSense Ltd

Independent Auditor's Report to the Members of CloudSense Ltd

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Cloudsense Limited ("the Company") for the year ended 31 January 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

We draw attention to note 2.4 to the financial statements, which indicates that the company is reliant on the Group for financial support. The Group consolidated financial statements included a material uncertainty related to going concern which may have a direct impact on the Group's ability to provide required financial support to the Company. As stated in note 2.4, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

CloudSense Ltd

Independent Auditor's Report to the Members of CloudSense Ltd (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

CloudSense Ltd

Independent Auditor's Report to the Members of CloudSense Ltd (continued)

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, the Companies Act 2006 and UK tax legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of control evidenced through unusual or irregular journal entries, manipulation of accounting estimates and bias in judgements.

CloudSense Ltd

Independent Auditor's Report to the Members of CloudSense Ltd (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criterion, by agreeing to supporting documentation for example:
 - unusual account combinations with a credit entry to revenue without a corresponding entry to trade receivables, accrued income, deferred income or sales tax;
 - Journal entries with "Key words" considered by the auditor to be of higher risk;
 - Unusual account combinations with a credit entry to expenses without a corresponding entry to prepayments, accruals and intercompany; and
- Assessing significant estimates made by management for bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

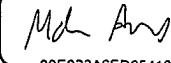
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:



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Mark Ayres (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom

Date: 21 November 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CloudSense Ltd

Statement of Comprehensive Income For the Year Ended 31 January 2023

		2023 £000	As restated 2022 £000
	Note		
Turnover*	4	24,122	20,838
Cost of sales*		(12,968)	(13,142)
Gross profit		11,154	7,696
Administrative expenses*		(11,437)	(11,708)
Other operating income	5	263	384
Operating loss	6	(20)	(3,628)
Tax on loss	10	23	(77)
Profit/(loss) for the financial year		3	(3,705)

*Comparatives have been restated, as explained in note 22 on page 27.

All amounts relate to continuing activities.

There was no other comprehensive income for 2023 (2022: £Nil).

The notes on pages 13 to 27 form part of these financial statements.

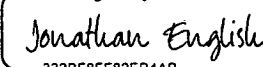
CloudSense Ltd
Registered number: 07072194

Statement of Financial Position
As at 31 January 2023

	Note	2023 £000	As restated 2022 £000
Fixed assets			
Tangible assets	11	72	167
Current assets			
Debtors*	13	61,176	46,173
Cash at bank and in hand	14	1,759	2,299
		<u>62,935</u>	<u>48,472</u>
Current liabilities			
Creditors: amounts falling due within one year*	15	(89,564)	(75,199)
		<u>(26,629)</u>	<u>(26,727)</u>
Net current liabilities			
		<u>(26,557)</u>	<u>(26,560)</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	16	(977)	(977)
		<u>(27,534)</u>	<u>(27,537)</u>
Net liabilities			
		<u>(27,534)</u>	<u>(27,537)</u>
Capital and reserves			
Share capital	17	199	199
Share premium account	18	10,818	10,818
Profit and loss account	18	(38,551)	(38,554)
		<u>(27,534)</u>	<u>(27,537)</u>
Total shareholders' deficit			
		<u>(27,534)</u>	<u>(27,537)</u>

*Comparatives have been restated, as explained in note 22 on page 27.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

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J W English
 Director

Date: 21 November 2023

The notes on pages 13 to 27 form part of these financial statements.

CloudSense Ltd

Statement of Changes in Equity For the Year Ended 31 January 2023

	Share capital £000	Share premium account £000	Profit and loss account £000	Total shareholders' deficit £000
At 1 February 2021	199	10,818	(34,849)	(23,832)
Comprehensive loss for the year				
Loss for the financial year	-	-	(3,705)	(3,705)
Total comprehensive loss for the year	-	-	(3,705)	(3,705)
At 1 February 2022	199	10,818	(38,554)	(27,537)
Comprehensive income for the year				
Profit for the financial year	-	-	3	3
Total comprehensive income for the year	-	-	3	3
At 31 January 2023	199	10,818	(38,551)	(27,534)

The notes on pages 13 to 27 form part of these financial statements.

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

1. General information

CloudSense Ltd is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company information page and the nature of the Company's operations, and its principal activity are set out in the Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c); and
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Vector CS Holdings Limited as at 31 January 2023 and these financial statements may be obtained from 483 Green Lanes, London, N13 4BS.

2.3 Exemption from preparing consolidated financial statements

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

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

2. Accounting policies (continued)

2.4 Going concern

The financial statements are prepared on a going concern basis which assumes that the Company will continue in business for the foreseeable future being for a period of at least 12 months from the date of approval of these financial statements.

Cloudsense Ltd is an indirect subsidiary of Vector CS Holdings Ltd and has intercompany payables and intercompany receivables due from other companies in the Vector CS Holdings Group.

The Directors have prepared financial forecasts for 12 months from the date of approval of these financial statements and the Company is reliant on the Group, Vector CS Holdings Ltd, for financial support.

The Group financial statements included a material uncertainty regarding going concern as loan covenants have been breached resulting in the loan being repayable on demand in addition to the loan maturing in May 2024 and should the Directors be unable to re-negotiate the loan term with the existing lender or were the loan to be recalled before maturity, the Group will require additional funding which is not yet secured.

As the company is reliant on the Group for financial support and the Group consolidated financial statements included a material uncertainty related to going concern which may have a direct impact on the Group's ability to provide required financial support to the Company, this event or condition indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors of Vector CS Holdings Ltd are confident that additional funding will be obtained whether through new equity or new debt or otherwise that they will be able to re-negotiate the loan term with the existing lender, and therefore the Directors of the Company consider that the funding will be forthcoming hence the going concern basis of preparation is deemed appropriate.

The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentation currency is GBP.

Transactions and balances

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

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

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

2. Accounting policies (continued)

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

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

2.6 Turnover

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

Rendering of professional services

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

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

Turnover from group undertakings

The Company licenses the CloudSense Platform and provides services to other group undertakings. As a result, the Company charges those group undertakings a variable license and services fee such that it earns an arm's length operating profit margin return.

2.7 Operating leases: the Company as lessee

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

2.8 Pensions

Defined contribution pension plan

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

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

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

2. Accounting policies (continued)

2.9 Current and deferred taxation

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

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

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

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

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

2.10 Tangible fixed assets

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

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

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

Depreciation is provided on the following basis:

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

2. Accounting policies (continued)

2.11 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments are reviewed for impairment if there are indicators that the carrying value may not be recoverable.

2.12 Debtors

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

2.13 Cash and cash equivalents

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

2.14 Creditors

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

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.16 Financial instruments

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

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

2. Accounting policies (continued)

2.16 Financial instruments (continued)

out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, 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.

2.17 Provisions for RDEC grant income

Provisions for RDEC grant income are initially measured at the amount expected to be received from tax authorities, based on the qualifying research & development expenditures incurred in the financial year of the claim. The provision is classified as a tax recoverable, with a corresponding entry to the profit and loss account, which is presented as a separate line in the Statement of Comprehensive Income. The provision is subsequently released upon a receipt of the tax credit from the tax authorities.

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

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

Estimates

Provisions against trade and other receivables

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

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Notes to the Financial Statements For the Year Ended 31 January 2023

4. Turnover

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

	2023	As restated 2022
	£000	£000
SaaS	10,691	10,710
Professional services	6,798	5,668
Turnover from group undertakings*	6,633	4,460
	<u>24,122</u>	<u>20,838</u>

An analysis of turnover by country of destination:

	2023	As restated 2022
	£000	£000
EMEA	17,489	16,378
Americas*	1,763	618
APAC*	4,870	3,842
	<u>24,122</u>	<u>20,838</u>

*Comparatives have been restated, as explained in Note 22 on page 27.

5. Other operating income

	2023	2022
	£000	£000
RDEC grant income	263	384
	<u>263</u>	<u>384</u>

6. Operating loss

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

	2023	2022
	£000	£000
Profit/(loss) on disposal of fixed assets	-	-
Depreciation of tangible fixed assets	122	261
Other operating lease rentals	262	239
Foreign exchange differences	(400)	93
	<u>(10)</u>	<u>293</u>

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

7. Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	131	70
Fees payable to the Company's auditor in respect of non-audit services:		
Taxation compliance services	21	17
Financial statements preparation	16	2
Other services	-	20
	<u>37</u>	<u>39</u>

8. Employees

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

	2023 £000	2022 £000
Wages and salaries	5,595	8,098
Social security costs	769	935
Other pension costs	257	272
	<u>6,621</u>	<u>9,305</u>

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

	2023 No.	2022 No.
Director	2	3
Operations	39	49
Sales and Marketing	10	17
	<u>51</u>	<u>69</u>

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

9. Directors' remuneration

	2023 £000	2022 £000
Aggregate directors' remuneration	634	902
Company contributions to defined contribution pension schemes	24	35
	<u>658</u>	<u>937</u>

During the year retirement benefits were accruing to 3 directors (2022: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £420k (2022: £415k).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8k (2022: £Nil).

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

10. Tax on profit/(loss)

	2023 £000	2022 £000
Current tax		
Adjustments in respect of prior years	(23)	77
Total current tax	<u>(23)</u>	<u>77</u>

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

10. Tax on profit/(loss) (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022: higher than) the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023 £000	2022 £000
Loss before taxation	(20)	(3,628)
Profit/(loss) before taxation multiplied by standard rate of corporation tax in the UK of 19% (2022: 19%)	(4)	(689)
Effects of:		
Fixed asset differences	(2)	-
Expenses not deductible for tax purposes	1	1
Deferred tax not recognised	54	688
Adjustments from prior years	(23)	77
Income not taxable for tax purposes	(49)	-
Total tax (credit)/charge for the year	(23)	77

Factors that may affect future tax charges

The Finance Act 2021 was substantially enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

11. Tangible fixed assets

	Improvements to property £000	Fixtures and fittings £000	Computer equipment £000	Integrated features £000	Total £000
Cost					
At 1 February 2022	174	120	463	391	1,148
Additions	-	4	23	-	27
Disposals	(153)	(113)	(404)	-	(670)
At 31 January 2023	21	11	82	391	505
Depreciation					
At 1 February 2022	168	107	416	290	981
Charge for the year	4	11	32	75	122
Disposals	(153)	(113)	(404)	-	(670)
At 31 January 2023	19	5	44	365	433
Net book value					
At 31 January 2023	2	6	38	26	72
At 31 January 2022	6	13	47	101	167

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

12. Investments

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal Activity	Class of shares	Holding
Cloudsense d.o.o	Zagreb Tower, Radnicka Cesta 80, 10000, Zagreb	Computer programming	Ordinary	100 %
CloudSense Inc.	1644 Platte Street - Suite 400, Denver Co 80202	Computer programming and sales	Ordinary	100 %
CloudSense Pty Ltd	Level 12 / 360 Elizabeth Street, Level 12, Melbourne, Victoria 3000, Australia	Computer programming and sales	Ordinary	100 %
CloudSense Software Private Ltd	4th Floor, Kochar Globe, Smartworks Amdebkar Nagar, SIDCO Industrial Estate, Guindy, Chennai, 600 032, India	Computer programming	Ordinary	100 %
Cloudsense Singapore Pte Limited	77 Robinson Road, #13-00 Robinson 77, Singapore 068896	Computer programming and sales	Ordinary	100 %

13. Debtors

	2023 £000	As restated 2022 £000
Trade debtors	2,669	5,749
Amounts owed by group undertakings	57,259	39,385
Other debtors	284	149
Tax recoverable*	287	-
Prepayments	614	735
Accrued income	63	155
	61,176	46,173

* Comparatives have been restated, as explained in Note 22 on page 27.

Amounts owed by group undertakings comprise the following loans:

CloudSense d.o.o - £12,890k (2022: £8,378k).
 CloudSense Inc. - £12,449k (2022: £11,583k).
 CloudSense Pty Ltd - £15,550k (2022: £11,211k).
 Vector CS Bidco Ltd - £7,985k (2022: £3,316k).
 CloudSense Singapore Pte Limited - £3,596k (2022: £2,254k).
 CloudSense Software Private Ltd - £4,790k (2022: £2,643k).

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

Trade debtors are stated after provisions for impairment of £6k (2022: £187k).

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

14. Cash and cash equivalents

	2023 £000	2022 £000
Cash at bank and in hand	1,759	2,299

15. Creditors: amounts falling due within one year

	2023 £000	As restated 2022 £000
Trade creditors	1,009	408
Amounts owed to group undertakings	82,465	66,832
Other taxation and social security	142	9
Other creditors*	7	328
Accruals	1,013	1,118
Deferred income	4,928	6,504
	<u>89,564</u>	<u>75,199</u>

* Comparatives have been restated, as explained in Note 22 on page 27.

Amounts owed to group undertakings comprise the following loans:

- Software Private Ltd - £5,107k (2022: £2,800k).
- CloudSense d.o.o. - £15,180k (2022: £9,736k).
- CloudSense Pty Ltd - £13,071k (2022: £8,425k).
- Vector CS Bidco Ltd - £36,546k (2022: £34,096k).
- CloudSense Inc. - £10,335k (2022: £9,549k).
- CloudSense Singapore Pte Limited - £2,226k (2022: £2,226k).

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

The loan from Vector CS Bidco Ltd, which is due to mature in May 2024, depends on the ability of the Group to meet its covenants. As of 31 January 2022 and 31 January 2023, the Group breached its loan covenants with the lender, Golub Capital LLC, therefore the lender is able to ask for repayment immediately. Consequently, the loans are reclassified to current liabilities in the Statement of Financial Position. At the date of signing the financial statements, no repayment has been requested.

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

16. Creditors: amounts falling due after more than one year

	2023 £000	2022 £000
Amounts owed to group undertakings	977	977

As at 31 January 2023 there was a balance of £977k (2022: £977k) owing to Vector CS Holdings (Cayman) LP which is a related party by virtue of its ownership of shares in the Company.

17. Share capital

	2023 £000	2022 £000
Allotted, called up and fully paid		
19,912,731 (2022: 19,912,731) Ordinary shares of £0.01 (2022: £0.01) each	199	199

18. Reserves

The Company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of shares subscribed for.

Share premium account

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

Profit and loss account

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

19. Pension commitments

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contribution payable by the Company to the fund and amounted to £257k (2022: £272k). Contributions totalling £27k (2022: £42k) were payable to the fund at the reporting date.

20. Related party transactions

The Company has taken advantage of the exemption available in FRS 102 whereby it has not disclosed transactions with other members of the Group headed by Vector CS Holdings Ltd.

As at 31 January 2023 there was a balance of £977k (2022: £977k) owing to Vector CS Holdings (Cayman) LP which is a related party by virtue of its ownership of shares in the Company.

CloudSense Ltd

Notes to the Financial Statements For the Year Ended 31 January 2023

21. Ultimate parent undertaking and controlling party

The immediate parent company is Vector CS Bidco Ltd, a company registered in the United Kingdom. The registered office of Vector CS Bidco Ltd is 483 Green Lanes, London, N13 4BS.

Vector Capital Partners V. Ltd is the controlling party of Vectors CS Holdings Ltd (registered company number: 11014925). The registered address of Vector Capital Partners V. Ltd is One Market Street, 23rd floor, San Francisco, California, 94105.

The largest and smallest group of undertakings for which group statements have been drawn up is that headed by Vector CS Holdings Ltd. Consolidated financial statements can be obtained from the registered office of Vector CS Holdings Ltd.

22. Prior year restatement

Cost of sales and Administrative expenses reclassification

The Company's financial statements for the year ended 31 January 2022 have been revised to reflect the correct allocation between Cost of sales and Administrative expenses, due to an error.

In the Company's comparative Statement of Comprehensive Income, Cost of sales were increased by £170k, with a corresponding decrease of £170k in Administrative expenses. There has been no impact and change to any of the other statements within this set of financial statements.

Write-off of provision for RDEC grant income

The Company's financial statements for the year ended 31 January 2022 have been revised to correct a grossing up of the Statement of Financial Position in respect of RDEC grant income.

In the Company's comparative Statement of Financial Position, Debtors were decreased by £263k, with a corresponding decrease in Creditors: amounts falling due within one year by £263k. There has been no impact and change to any other statements within this set of financial statements.

Turnover and cost recharges with group undertakings

The Company's financial statements for the year ended 31 January 2022 have been revised to reflect the grossing up of intra-group turnover and cost recharges between the Company and other group undertakings, incorrectly recorded in administrative expenses.

In the Company's comparative Statement of Comprehensive Income, Administrative expenses were increased by £4,460k, with a corresponding increase of £4,460k in Turnover. There has been no impact and change to any of the other statements within this set of financial statements.