

# Cloudnc Limited

Annual Report and Financial Statements

For the year ended 31 December 2023

Company Registration No. 09821257 (England and Wales)

CloudNC Limited

Company Information

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|--------------------------|--------------------------------------------------------------------------------|-----------------------------|
| <b>Directors</b>         | C J Emery<br>T V Saville<br>P A McNabb<br>A Vidiborschii                       | (Appointed 2 February 2023) |
| <b>Company number</b>    | 09821257                                                                       |                             |
| <b>Registered office</b> | 1 Norton Folgate<br>London<br>United Kingdom<br>E1 6DB                         |                             |
| <b>Auditor</b>           | Moore Kingston Smith LLP<br>6th Floor<br>9 Appold Street<br>London<br>EC2A 2AP |                             |

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Contents

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|                                       | <b>Page</b> |
|---------------------------------------|-------------|
| Strategic report                      | 1 - 2       |
| Directors' report                     | 3           |
| Directors' responsibilities statement | 4           |
| Independent auditor's report          | 5 - 8       |
| Profit and loss account               | 9           |
| Statement of comprehensive income     | 10          |
| Balance sheet                         | 11          |
| Statement of changes in equity        | 12          |
| Statement of cash flows               | 13          |
| Notes to the financial statements     | 14 - 31     |

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# CloudNC Limited

## Strategic Report

For the year ended 31 December 2023

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The directors present the strategic report for the year ended 31 December 2023.

### **Fair review of the business**

CloudNC Ltd is a company limited by shares that is registered and domiciled in the UK. The company operates in both the manufacturing and tech industries. Our Technology arm develops software aiding the automation of CNC machining which we launched in Beta in July 2023. Under our manufacturing division we supply metal CNC machined components to various industries including aerospace and aviation, automotive and the energy sector.

The company has continued its excellent record for quality and compliance receiving accreditation for ISO 9001 quality management, ISO 9100 Aviation, Space and Defense as well as cyber essentials plus.

Revenue has fallen in 2023 which reflects difficult market conditions for manufacturing during the year which has led to reduced sales, this is showing recovery in 2024 with an increase in sales year to date and an increased order book.

Gross Margin has also decreased, again reflecting the market conditions and the increase in direct costs as a result of inflation.

In order to facilitate sustainable growth and as a response to performance in 2023 the company has undertaken a major project in relation to operational efficiency at the factory site, this has yielded results in terms of increased productivity.

### **Principal risks and uncertainties**

The company's operations expose it to financial risks including credit risk & foreign exchange risk.

#### **Credit risk**

The company's principal financial assets are cash and trade debtors. The credit risk associated with cash is mitigated by ensuring that funds are spread across a number of notice accounts held only with reputable institutions with high credit ratings. The risk in relation to trade debtors is mitigated by thoroughly vetting all debtors before issuing credit terms ensuring terms are only granted to those with a suitable credit rating and to a limit that is reasonable in relation to the company's size and the expected trade. This is something that is actively monitored and acted upon should circumstances change.

#### **Foreign exchange rates**

The company is exposed to some transactional foreign exchange risk as we trade with both the US and Europe. To date this has not represented a significant risk and as such has not necessitated the purchase of forward contracts in order to mitigate, this is however something that the company monitors actively and will take action on if necessary.

#### **Liquidity Risk**

As the company is venture capital backed, it is exposed to some risk relating to liquidity which impacts upon going concern, the directors believe that this risk has been appropriately mitigated although a material uncertainty still exists (see page 14). A venture debt agreement has been secured which will be split over two tranches. In addition the company is in the process of raising a convertible loan note to provide further liquidity.

CloudNC Limited

Strategic Report (Continued)

For the year ended 31 December 2023

Key performance indicators

|               | 2022   | 2023   |
|---------------|--------|--------|
| Won Orders    | £1.8m  | £5.8m  |
| Headcount     | 102    | 141    |
| Cash position | £10.2m | £10.9m |

1. Won orders defined as manufacturing orders won in the period. These have increased with the growth of the company and its presence in the market.
2. Headcount is defined as the number of FTE's employed at the end of the period. These have increased with the company recruiting more staff to help develop and sell the software product.
3. Cash position is defined as the value held as liquid cash funds at the end of the period. The movement in the period reflects the cash utilised in the year as well as the movement of current asset investments into cash.

Future Developments

Key objectives for 2024 include:

- Ensuring we have a repeatable and scalable software sales motion focusing on a smooth customer experience and resulting in increased revenues.
- Our software engages our customers and enables us to implement customer led improvements and innovation increasing our market share.
- Ensuring our factory is positioned to create a sustainable development centre for our tech driving increased productivity and increasing our order book.

On behalf of the board

T V Saville  
Director

26 July 2024

# CloudNC Limited

## Directors' Report

For the year ended 31 December 2023

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The directors present their annual report and financial statements for the year ended 31 December 2023.

### Principal activities

The principal activity of the company in the period under consideration was that of the creation of cloud-based automation software and subcontract manufacture of precision metal components.

### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

C J Emery

T V Saville

P A McNabb

S R Khaliq

(Resigned 2 February 2023)

A Vidiborschii

(Appointed 2 February 2023)

### Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a dividend.

No preference dividends were paid.

### Auditor

The auditor, Moore Kingston Smith LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

T V Saville

**Director**

26 July 2024

Directors' Responsibilities Statement

For the year ended 31 December 2023

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The directors are responsible for preparing the annual 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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

# Cloudnc Limited

## Independent Auditor's Report

### To the Members of Cloudnc Limited

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#### Opinion

We have audited the financial statements of CloudNC Limited (the 'company') for the year ended 31 December 2023 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its loss 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.

#### 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We draw attention to note 1.2 in the financial statements, which indicates uncertainty over future sources of funding. As stated in note 1.2 these events or conditions, along with the other matters as set forth in note 1.2 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.

#### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

# Cloudnc Limited

## Independent Auditor's Report (Continued)

### To the Members of Cloudnc Limited

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#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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 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.

Independent Auditor's Report (Continued)

To the Members of Cloudnc Limited

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**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.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report (Continued)

To the Members of Cloudnc Limited

**Explanation as to what extent the audit was considered 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.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

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

**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.

**Ryan Day**  
**Senior Statutory Auditor**  
for and on behalf of Moore Kingston Smith LLP

29 July 2024

**Chartered Accountants**  
**Statutory Auditor**

6th Floor  
9 Appold Street  
London  
EC2A 2AP

# Cloudnc Limited

## Profit and Loss Account

For the year ended 31 December 2023

|                                        |          | Year<br>ended<br>31 December<br>2023<br>£ | Period<br>ended<br>31 December<br>2022<br>£ |
|----------------------------------------|----------|-------------------------------------------|---------------------------------------------|
|                                        | Notes    |                                           |                                             |
| <b>Turnover</b>                        | <b>3</b> | 1,949,807                                 | 2,160,535                                   |
| Cost of sales                          |          | (5,141,838)                               | (3,331,687)                                 |
| <b>Gross loss</b>                      |          | (3,192,031)                               | (1,171,152)                                 |
| Administrative expenses                |          | (14,461,137)                              | (14,377,353)                                |
| Other operating income                 |          | 1,024,364                                 | 23,499                                      |
| <b>Operating loss</b>                  | <b>4</b> | (16,628,804)                              | (15,525,006)                                |
| Interest receivable and similar income | <b>7</b> | 793,690                                   | 342,737                                     |
| Interest payable and similar expenses  | <b>8</b> | (138,882)                                 | (1,183,635)                                 |
| <b>Loss before taxation</b>            |          | (15,973,996)                              | (16,365,904)                                |
| Tax on loss                            | <b>9</b> | 916,392                                   | 1,560,902                                   |
| <b>Loss for the financial year</b>     |          | (15,057,604)                              | (14,805,002)                                |

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.

Cloudnc Limited

Statement of Comprehensive Income  
For the year ended 31 December 2023

|                                         | Year<br>ended<br>2023<br>£ | Period<br>ended<br>2022<br>£ |
|-----------------------------------------|----------------------------|------------------------------|
| Loss for the year                       | (15,057,604)               | (14,805,002)                 |
| Other comprehensive income              | -                          | -                            |
| Total comprehensive income for the year | (15,057,604)               | (14,805,002)                 |

# CloudNC Limited

## Balance Sheet

As at 31 December 2023

|                                                                | Notes | 2023<br>£         | £                 | 2022<br>£         | £                 |
|----------------------------------------------------------------|-------|-------------------|-------------------|-------------------|-------------------|
| <b>Fixed assets</b>                                            |       |                   |                   |                   |                   |
| Intangible assets                                              | 10    |                   | 21,922            |                   | 23,504            |
| Tangible assets                                                | 11    |                   | 2,470,081         |                   | 1,041,593         |
|                                                                |       |                   | <u>2,492,003</u>  |                   | <u>1,065,097</u>  |
| <b>Current assets</b>                                          |       |                   |                   |                   |                   |
| Stock                                                          | 12    | 316,255           |                   | 295,999           |                   |
| Debtors                                                        | 13    | 2,570,903         |                   | 3,089,553         |                   |
| Investments                                                    | 14    | -                 |                   | 15,079,988        |                   |
| Cash at bank and in hand                                       |       | 10,932,528        |                   | 10,261,083        |                   |
|                                                                |       | <u>13,819,686</u> |                   | <u>28,726,623</u> |                   |
| <b>Creditors: amounts falling due within one year</b>          | 15    | (2,941,368)       |                   | (3,100,445)       |                   |
| <b>Net current assets</b>                                      |       |                   | <u>10,878,318</u> |                   | <u>25,626,178</u> |
| <b>Total assets less current liabilities</b>                   |       |                   | <u>13,370,321</u> |                   | <u>26,691,275</u> |
| <b>Creditors: amounts falling due after more than one year</b> | 17    |                   | (990,148)         |                   | (455,329)         |
| <b>Provisions for liabilities</b>                              |       |                   |                   |                   |                   |
| Provisions                                                     | 19    | (170,338)         |                   | (145,476)         |                   |
|                                                                |       | <u>(170,338)</u>  |                   | <u>(145,476)</u>  |                   |
| <b>Net assets</b>                                              |       |                   | <u>12,209,835</u> |                   | <u>26,090,470</u> |
| <b>Capital and reserves</b>                                    |       |                   |                   |                   |                   |
| Called up share capital                                        | 22    |                   | 351               |                   | 347               |
| Share premium account                                          |       |                   | 68,003,389        |                   | 67,192,845        |
| Share based payment reserve                                    |       |                   | 2,745,265         |                   | 2,378,844         |
| Profit and loss reserves                                       |       |                   | (58,539,170)      |                   | (43,481,566)      |
| <b>Total equity</b>                                            |       |                   | <u>12,209,835</u> |                   | <u>26,090,470</u> |

The financial statements were approved by the board of directors and authorised for issue on 26 July 2024 and are signed on its behalf by:

T V Saville  
Director

Company Registration No. 09821257

# CloudNC Limited

## Statement of Changes in Equity

For the year ended 31 December 2023

|                                                          |       | Share capital | Share premium account | Equity reserve | Share Based Payment Reserve | Profit and loss reserves | Total        |
|----------------------------------------------------------|-------|---------------|-----------------------|----------------|-----------------------------|--------------------------|--------------|
|                                                          | Notes | £             | £                     | £              | £                           | £                        | £            |
| <b>Balance at 1 November 2021</b>                        |       | 201           | 12,980,289            | 1,328,041      | 823,903                     | (28,676,564)             | (13,544,130) |
| <b>Period ended 31 December 2022:</b>                    |       |               |                       |                |                             |                          |              |
| Loss and total comprehensive income for the period       |       | -             | -                     | -              | -                           | (14,805,002)             | (14,805,002) |
| Issue of share capital                                   | 22    | 146           | 52,815,762            | -              | -                           | -                        | 52,815,908   |
| Issue of convertible loan                                |       | -             | -                     | 68,753         | -                           | -                        | 68,753       |
| Conversion of loan to shares                             | 22    | -             | 1,396,794             | (1,396,794)    | -                           | -                        | -            |
| Credit to equity for equity settled share-based payments |       | -             | -                     | -              | 1,554,941                   | -                        | 1,554,941    |
| <b>Balance at 31 December 2022</b>                       |       | 347           | 67,192,845            | -              | 2,378,844                   | (43,481,566)             | 26,090,470   |
| <b>Year ended 31 December 2023:</b>                      |       |               |                       |                |                             |                          |              |
| Loss and total comprehensive income for the year         |       | -             | -                     | -              | -                           | (15,057,604)             | (15,057,604) |
| Issue of share capital                                   | 22    | 4             | 810,544               | -              | -                           | -                        | 810,548      |
| Credit to equity for equity settled share-based payments | 21    | -             | -                     | -              | 366,421                     | -                        | 366,421      |
| <b>Balance at 31 December 2023</b>                       |       | 351           | 68,003,389            | -              | 2,745,265                   | (58,539,170)             | 12,209,835   |

# Cloudnc Limited

## Statement of Cash Flows

For the year ended 31 December 2023

|                                                               |       | 2023         | 2022         |
|---------------------------------------------------------------|-------|--------------|--------------|
|                                                               | Notes | £            | £            |
| <b>Cash flows from operating activities</b>                   |       |              |              |
| Cash absorbed by operations                                   | 27    | (15,624,317) | (13,109,078) |
| Interest paid                                                 |       | (138,882)    | (1,183,635)  |
| Income taxes refunded/(paid)                                  |       | 1,650,630    | (89,839)     |
| <b>Net cash outflow from operating activities</b>             |       | (14,112,569) | (14,382,552) |
| <b>Investing activities</b>                                   |       |              |              |
| Purchase of intangible assets                                 |       | (12,633)     | (12,900)     |
| Purchase of tangible fixed assets                             |       | (1,193,017)  | (784,487)    |
| Proceeds from disposal of tangible fixed assets               |       | 12,235       | 1,339        |
| Proceeds from disposal/(Purchase) of investments              |       | 15,079,988   | (15,079,988) |
| Interest received                                             |       | 793,690      | 342,737      |
| <b>Net cash generated from/(used in) investing activities</b> |       | 14,680,263   | (15,533,299) |
| <b>Financing activities</b>                                   |       |              |              |
| Proceeds from issue of shares                                 |       | 810,548      | 39,556,632   |
| Repayment of borrowings                                       |       | (473,377)    | (1,051,750)  |
| Payment of finance leases obligations                         |       | (233,420)    | 27,515       |
| <b>Net cash generated from financing activities</b>           |       | 103,751      | 38,532,397   |
| <b>Net increase in cash and cash equivalents</b>              |       | 671,445      | 8,616,546    |
| Cash and cash equivalents at beginning of year                |       | 10,261,083   | 1,644,537    |
| <b>Cash and cash equivalents at end of year</b>               |       | 10,932,528   | 10,261,083   |

#### **1 Accounting policies**

##### **Company information**

CloudNC Limited is a private company limited by shares incorporated in England and Wales. The registered office is 1 Norton Folgate, London, United Kingdom, E1 6DB.

##### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

##### **1.2 Going concern**

In determining the ability of the company to operate under the going concern basis, the directors have considered the current economic environment as well as the level of funding available to it.

In doing so, the company has prepared detailed forecasts which have considered;

- the current and projected levels of available cash;
- the nature and term of outstanding liabilities; and
- any future fundraising (see below).

As the Company's principal activity is that of developing its cloud software, it relies on funding from investors for these activities as revenues from other trading activities are not sufficient to cover expenses. As at the time of signing, a venture debt agreement has been secured which is split over two tranches, of which the first tranche is unrestricted. In addition the company is in the process of raising a convertible loan note to provide further liquidity. Should the second tranche of the venture debt funding and the convertible loan note proceeds not be received, this may mean that the company cannot meet its liabilities as they fall due which gives rise to a material uncertainty regarding going concern.

On the basis of the above, the directors are satisfied that it is appropriate to prepare the financial statements of the company on a going concern basis.

##### **1.3 Turnover**

Turnover represents the sale of goods which is measured at the fair value of the consideration received or receivable, excluding rebates, VAT and other sales taxes.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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**1 Accounting policies**

**(Continued)**

**1.4 Intangible fixed assets other than goodwill**

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

|          |                       |
|----------|-----------------------|
| Software | 3 years straight line |
|----------|-----------------------|

**1.5 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

|                        |                       |
|------------------------|-----------------------|
| Leasehold improvements | 3 years straight line |
| Plant and equipment    | 3 years straight line |
| Leased Equipment       | Life of the lease     |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

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

**1.6 Stock**

Stock are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stock to their present location and condition.

Stock held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

Work in progress is valued by taking into considering employee and machine time spent on the various processes which happen to an item in order to bring it to completion.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

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**1 Accounting policies**

**(Continued)**

**1.7 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities. Cash deposits held with banks or other financial institutions with maturities of 95 days or more are shown as current asset investments.

**1.8 Financial instruments**

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

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

**Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

**Current Asset Investments**

Current asset investments are basic financial assets and include deposits held with banks with original maturities between three months and less than one year.

**Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

**Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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**1 Accounting policies**

**(Continued)**

***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

***Other financial liabilities***

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

**1.9 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**1.10 Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

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**1 Accounting policies**

**(Continued)**

**Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

**1.11 Provisions**

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

**1.12 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**1.13 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

**1.14 Share-based payments**

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

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**1 Accounting policies**

**(Continued)**

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

**1.15 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

**1.16 Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

**1.17 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

## 2 Judgements 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 amount 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### Indicators of Impairment

The Directors have deemed that no impairments to tangible fixed assets are necessary, as the value of the Leasehold Improvements, Plant and Equipment and Leased Equipment are not directly tied to the financial success of the company.

### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### Depreciation

In determining the carrying amount of tangible fixed assets at the period end, the directors were required to make an estimate on the useful economic life over which to depreciate these assets. The carrying amount is shown in the tangible fixed assets note below.

#### Work in Progress

In determining the valuation of Work in Progress at the period end, the directors were required to make a judgement on the costs to complete. The method of estimation is reviewed on an ongoing basis however actual results may differ from these estimations. The carrying value of Work in Progress at the period end was £136,442.

#### Dilapidation Provisions

In terms of making a provision for dilapidations, the directors are required to make an assessment of the costs to rectify any dilapidations. In making this assessment, they have used guidance from external sources in terms of cost per square foot. The details of the provision are included in note 19.

## 3 Turnover and other revenue

|                                               | 2023             | 2022             |
|-----------------------------------------------|------------------|------------------|
|                                               | £                | £                |
| <b>Turnover analysed by class of business</b> |                  |                  |
| Factory Revenue                               | 1,942,597        | 2,160,535        |
| Software Revenue                              | 7,210            | -                |
|                                               | <u>1,949,807</u> | <u>2,160,535</u> |

# CloudNC Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2023

### 3 Turnover and other revenue

(Continued)

|                                  | 2023    | 2022    |
|----------------------------------|---------|---------|
|                                  | £       | £       |
| <b>Other significant revenue</b> |         |         |
| Interest income                  | 793,690 | 342,737 |
| Grants received                  | 648,546 | 23,499  |
| RDEC Income                      | 329,316 | -       |

All turnover relates to the sales of goods and services in the United Kingdom.

### 4 Operating loss

|                                                                                           | 2023      | 2022      |
|-------------------------------------------------------------------------------------------|-----------|-----------|
|                                                                                           | £         | £         |
| Operating loss for the year is stated after charging/(crediting):                         |           |           |
| Exchange gains                                                                            | (7,241)   | (154,216) |
| Research and development costs                                                            | 4,593,553 | 4,242,642 |
| Government grants                                                                         | (648,546) | (23,499)  |
| Fees payable to the company's auditor for the audit of the company's financial statements | 25,250    | 23,550    |
| Depreciation of owned tangible fixed assets                                               | 631,747   | 415,539   |
| Loss on disposal of tangible fixed assets                                                 | 3,709     | 3,212     |
| Amortisation of intangible assets                                                         | 14,216    | 23,780    |
| Cost of stock recognised as an expense                                                    | 105,341   | 20,356    |
| Share-based payments                                                                      | 366,421   | 1,554,946 |
| Operating lease charges                                                                   | 1,050,664 | 1,011,151 |

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £7,241 (2022 - £154,216).

### 5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| 2023   | 2022   |
|--------|--------|
| Number | Number |
| 126    | 85     |

# CloudNC Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2023

### 5 Employees

(Continued)

Their aggregate remuneration comprised:

|                       | 2023<br>£         | 2022<br>£        |
|-----------------------|-------------------|------------------|
| Wages and salaries    | 9,744,436         | 8,653,697        |
| Social security costs | 1,105,978         | 897,739          |
| Pension costs         | 829,873           | 400,265          |
|                       | <u>11,680,287</u> | <u>9,951,701</u> |

### 6 Directors' remuneration

|                                                               | 2023<br>£      | 2022<br>£      |
|---------------------------------------------------------------|----------------|----------------|
| Remuneration for qualifying services                          | 312,967        | 357,304        |
| Company pension contributions to defined contribution schemes | 5,250          | 2,538          |
|                                                               | <u>318,217</u> | <u>359,842</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2022 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

|                                                               | 2023<br>£      | 2022<br>£      |
|---------------------------------------------------------------|----------------|----------------|
| Remuneration for qualifying services                          | 166,250        | 192,500        |
| Company pension contributions to defined contribution schemes | 5,250          | 2,538          |
|                                                               | <u>171,500</u> | <u>195,038</u> |

### 7 Interest receivable and similar income

|                           | 2023<br>£      | 2022<br>£      |
|---------------------------|----------------|----------------|
| <b>Interest income</b>    |                |                |
| Interest on bank deposits | 793,690        | 342,737        |
|                           | <u>793,690</u> | <u>342,737</u> |

# CloudNC Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2023

### 8 Interest payable and similar expenses

|                                                                      | 2023<br>£      | 2022<br>£        |
|----------------------------------------------------------------------|----------------|------------------|
| <b>Interest on financial liabilities measured at amortised cost:</b> |                |                  |
| Other interest on financial liabilities                              | 13,097         | 1,122,110        |
| <b>Other finance costs:</b>                                          |                |                  |
| Interest on finance leases and hire purchase contracts               | 125,785        | 61,525           |
|                                                                      | <u>138,882</u> | <u>1,183,635</u> |

### 9 Taxation

|                                                       | 2023<br>£        | 2022<br>£          |
|-------------------------------------------------------|------------------|--------------------|
| <b>Current tax</b>                                    |                  |                    |
| UK corporation tax on profits for the current period  | 77,457           | -                  |
| Credit for R&D claim                                  | (993,849)        | (1,650,842)        |
| Total UK current tax                                  | <u>(916,392)</u> | <u>(1,650,842)</u> |
| Foreign current tax on profits for the current period | -                | 89,940             |
| Total current tax                                     | <u>(916,392)</u> | <u>(1,560,902)</u> |

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

|                                                                                                             | 2023<br>£           | 2022<br>£           |
|-------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Loss before taxation                                                                                        | <u>(15,973,996)</u> | <u>(16,365,904)</u> |
| <i>Expected tax credit based on the standard rate of corporation tax in the UK of 25.00% (2022: 19.00%)</i> | (3,993,499)         | (3,109,522)         |
| Tax effect of expenses that are not deductible in determining taxable profit                                | 89,315              | 630,555             |
| Tax effect of utilisation of tax losses not previously recognised                                           | 139,508             | 2,167,864           |
| Unutilised tax losses carried forward                                                                       | 4,424,531           | 1,751,065           |
| Permanent capital allowances in excess of depreciation                                                      | (238,626)           | (71,636)            |
| Research and development tax credit                                                                         | (1,245,708)         | (2,876,155)         |
| Other permanent differences                                                                                 | 7,274               | (9,457)             |
| Tax relief on share options                                                                                 | (100,113)           | (134,166)           |
| Effect of overseas tax rates                                                                                | -                   | 89,940              |
| Loss on disposal of fixed asset                                                                             | 926                 | 610                 |
| Taxation credit for the year                                                                                | <u>(916,392)</u>    | <u>(1,560,902)</u>  |

# CloudNC Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2023

### 10 Intangible fixed assets

|                                    | Software<br>£ |
|------------------------------------|---------------|
| <b>Cost</b>                        |               |
| At 1 January 2023                  | 76,948        |
| Additions                          | 12,633        |
|                                    | <hr/>         |
| At 31 December 2023                | 89,581        |
|                                    | <hr/>         |
| <b>Amortisation and impairment</b> |               |
| At 1 January 2023                  | 53,443        |
| Amortisation charged for the year  | 14,216        |
|                                    | <hr/>         |
| At 31 December 2023                | 67,659        |
|                                    | <hr/>         |
| <b>Carrying amount</b>             |               |
| At 31 December 2023                | 21,922        |
|                                    | <hr/>         |
| At 31 December 2022                | 23,504        |
|                                    | <hr/>         |

### 11 Tangible fixed assets

|                                    | Leasehold<br>improvements<br>£ | Plant and<br>equipment<br>£ | Leased<br>Equipment<br>£ | Total<br>£ |
|------------------------------------|--------------------------------|-----------------------------|--------------------------|------------|
| <b>Cost</b>                        |                                |                             |                          |            |
| At 1 January 2023                  | 421,616                        | 1,415,223                   | 847,681                  | 2,684,520  |
| Additions                          | 457,715                        | 676,313                     | 942,042                  | 2,076,070  |
| Disposals                          | -                              | (17,768)                    | -                        | (17,768)   |
|                                    | <hr/>                          | <hr/>                       | <hr/>                    | <hr/>      |
| At 31 December 2023                | 879,331                        | 2,073,768                   | 1,789,723                | 4,742,822  |
|                                    | <hr/>                          | <hr/>                       | <hr/>                    | <hr/>      |
| <b>Depreciation and impairment</b> |                                |                             |                          |            |
| At 1 January 2023                  | 309,739                        | 737,289                     | 595,900                  | 1,642,928  |
| Depreciation charged in the year   | 57,222                         | 377,741                     | 196,784                  | 631,747    |
| Eliminated in respect of disposals | -                              | (1,934)                     | -                        | (1,934)    |
|                                    | <hr/>                          | <hr/>                       | <hr/>                    | <hr/>      |
| At 31 December 2023                | 366,961                        | 1,113,096                   | 792,684                  | 2,272,741  |
|                                    | <hr/>                          | <hr/>                       | <hr/>                    | <hr/>      |
| <b>Carrying amount</b>             |                                |                             |                          |            |
| At 31 December 2023                | 512,370                        | 960,672                     | 997,039                  | 2,470,081  |
|                                    | <hr/>                          | <hr/>                       | <hr/>                    | <hr/>      |
| At 31 December 2022                | 111,877                        | 677,935                     | 251,781                  | 1,041,593  |
|                                    | <hr/>                          | <hr/>                       | <hr/>                    | <hr/>      |

# CloudNC Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2023

### 12 Stock

|                               | 2023<br>£      | 2022<br>£      |
|-------------------------------|----------------|----------------|
| Raw materials and consumables | 179,813        | 54,216         |
| Work in progress              | 136,442        | 241,783        |
|                               | <u>316,255</u> | <u>295,999</u> |

### 13 Debtors

|                                                      | 2023<br>£        | 2022<br>£        |
|------------------------------------------------------|------------------|------------------|
| <b>Amounts falling due within one year:</b>          |                  |                  |
| Trade debtors                                        | 234,321          | 446,813          |
| Corporation tax recoverable                          | 1,245,708        | 1,650,741        |
| Other debtors                                        | 300,203          | 145,805          |
| Prepayments and accrued income                       | 620,815          | 534,114          |
|                                                      | <u>2,401,047</u> | <u>2,777,473</u> |
| <b>Amounts falling due after more than one year:</b> |                  |                  |
| Other debtors                                        | 169,856          | 312,080          |
|                                                      | <u>169,856</u>   | <u>312,080</u>   |
| <b>Total debtors</b>                                 | <u>2,570,903</u> | <u>3,089,553</u> |

### 14 Current asset investments

|                     | 2023<br>£ | 2022<br>£         |
|---------------------|-----------|-------------------|
| Short term deposits | -         | 15,079,988        |
|                     | <u>-</u>  | <u>15,079,988</u> |

# CloudNC Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2023

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

|                              | Notes | 2023<br>£        | 2022<br>£        |
|------------------------------|-------|------------------|------------------|
| Hire Purchase Contracts      | 18    | 233,218          | 118,404          |
| Other borrowings             | 16    | -                | 473,377          |
| Trade creditors              |       | 1,146,015        | 1,092,162        |
| Deferred income              |       | 22,259           | 51,056           |
| Other creditors              |       | 1,254,140        | 1,147,815        |
| Accruals and deferred income |       | 285,736          | 217,631          |
|                              |       | <u>2,941,368</u> | <u>3,100,445</u> |

### 16 Loans and overdrafts

|                         | 2023<br>£ | 2022<br>£      |
|-------------------------|-----------|----------------|
| Other loans             | -         | 473,377        |
|                         | <u>-</u>  | <u>473,377</u> |
| Payable within one year | -         | 473,377        |
|                         | <u>-</u>  | <u>473,377</u> |

The loan was secured on the assets of the company.

The final loan repayment was made in May 2023. The loan carried an interest rate of 11%.

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

|                           | 2023<br>£      | 2022<br>£      |
|---------------------------|----------------|----------------|
| Finance lease obligations | 990,148        | 455,329        |
|                           | <u>990,148</u> | <u>455,329</u> |

There is a fixed and floating charge over the patents, all of the property and undertakings of the company.

### 18 Finance lease obligations

|                                                         | 2023<br>£        | 2022<br>£      |
|---------------------------------------------------------|------------------|----------------|
| Future minimum lease payments due under finance leases: |                  |                |
| Within one year                                         | 233,218          | 293,219        |
| In two to five years                                    | 939,847          | 547,948        |
| In over five years                                      | 50,301           | -              |
|                                                         | <u>1,223,366</u> | <u>841,167</u> |

# CloudNC Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2023

### 18 Finance lease obligations

(Continued)

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 2.6 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

### 19 Provisions for liabilities

|                                   | 2023<br>£ | 2022<br>£ |
|-----------------------------------|-----------|-----------|
| Dilapidations Provision           | 170,338   | 145,476   |
| Movements on provisions:          |           |           |
|                                   |           | £         |
| At 1 January 2023                 |           | 145,476   |
| Additional provisions in the year |           | 24,862    |
| At 31 December 2023               |           | 170,338   |

### 20 Retirement benefit schemes

|                                                                     | 2023<br>£ | 2022<br>£ |
|---------------------------------------------------------------------|-----------|-----------|
| Defined contribution schemes                                        |           |           |
| Charge to profit or loss in respect of defined contribution schemes | 829,873   | 400,265   |

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 21 Share-based payment transactions

|                                 | Number of share options |                | Weighted average exercise price |           |
|---------------------------------|-------------------------|----------------|---------------------------------|-----------|
|                                 | 2023<br>Number          | 2022<br>Number | 2023<br>£                       | 2022<br>£ |
| Outstanding at 1 January 2023   | 2,654,167               | 2,397,083      | 0.01                            | 0.01      |
| Granted                         | 488,440                 | 1,123,728      | 0.01                            | 0.01      |
| Exercised                       | (298,844)               | (526,969)      | 0.01                            | -         |
| Expired                         | (266,628)               | (339,675)      | 0.01                            | 0.01      |
| Outstanding at 31 December 2023 | 2,577,135               | 2,654,167      | 0.01                            | 0.01      |
| Exercisable at 31 December 2023 | 1,512,954               | 1,064,824      | 0.01                            | 0.01      |

Notes to the Financial Statements (Continued)

For the year ended 31 December 2023

**21 Share-based payment transactions**

**(Continued)**

The options outstanding at 31 December 2023 had a remaining contractual life of 1-4 years.

**Liabilities and expenses**

During the year, the company recognised total share-based payment expenses of £366,421 (2022 - £1,554,946) which related to equity settled share based payment transactions.

**22 Share capital**

|                                                                               | <b>2023</b>       | <b>2022</b>       |
|-------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                               | <b>£</b>          | <b>£</b>          |
| <b>Ordinary share capital</b>                                                 |                   |                   |
| <b>Issued and fully paid</b>                                                  |                   |                   |
| 11,703,203 (2022: 11,265,850) Ordinary shares of £0.00001p each               | 117               | 113               |
| 800,000 (2022: 800,000) A Ordinary shares of £0.00001p each                   | 8                 | 8                 |
| 3,025,102 (2022: 3,025,102) Seed shares of £0.00001p each                     | 30                | 30                |
|                                                                               | <u>155</u>        | <u>151</u>        |
|                                                                               | <u><u>155</u></u> | <u><u>151</u></u> |
| <b>Preference share capital</b>                                               |                   |                   |
| <b>Issued and fully paid</b>                                                  |                   |                   |
| 5,690,836 (2022: 5,690,836) Preferred shares of £0.00001p each                | 57                | 57                |
| 7,175,947 (2022: 7,175,947) A-1 Ordinary (preferred) shares of £0.00001p each | 72                | 72                |
| 1,259,449 (2022: 1,259,449) A-2 Ordinary (preferred) shares of £0.00001p each | 13                | 13                |
| 1,825,134 (2021: 1,825,134) A-3 Ordinary (preferred) shares of £0.00001p each | 18                | 18                |
| 812,941 (2022: 812,941) A-4 Ordinary (preferred) shares of £0.00001p each     | 8                 | 8                 |
| 2,799,182 (2022: 2,799,182) A-5 Ordinary (preferred) shares of £0.00001p each | 28                | 28                |
|                                                                               | <u>196</u>        | <u>196</u>        |
|                                                                               | <u><u>196</u></u> | <u><u>196</u></u> |

All share classes in issue carry no right to fixed income and full voting rights. The preferred shares carry no right of redemption and also carry antidilution rights and liquidation preferences.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2023

**22 Share capital****(Continued)****Reconciliation of movements during the year:**

|                            | <b>Ordinary<br/>Number of<br/>shares</b> | <b>Seed<br/>Number of<br/>shares</b> | <b>Preference<br/>Number of<br/>shares</b> |
|----------------------------|------------------------------------------|--------------------------------------|--------------------------------------------|
| At 1 January 2023          | 12,065,850                               | 3,025,102                            | 19,563,489                                 |
| Issue of fully paid shares | 437,353                                  | -                                    | -                                          |
| At 31 December 2023        | 12,503,203                               | 3,025,102                            | 19,563,489                                 |

During the period, the company issued 437,353 shares at an aggregate nominal value of £4. The total consideration received by the company for these shares was £810,548.

**23 Financial commitments, guarantees and contingent liabilities**

The company has contingent liabilities of £138,835 (2022: £138,835) as a condition of deferrals of some of the capital repayments on a loan included within other creditors. The fee is payable on an Exit event as defined in the original instrument and has been recognised as a contingent liability as the likelihood of a Exit event has been deemed as higher than remote but less than probable.

**24 Operating lease commitments****Lessee**

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

|                            | <b>2023<br/>£</b> | <b>2022<br/>£</b> |
|----------------------------|-------------------|-------------------|
| Within one year            | 1,105,069         | 896,851           |
| Between two and five years | 4,363,974         | 2,489,218         |
| In over five years         | 164,402           | 1,627,785         |
|                            | <u>5,633,445</u>  | <u>5,013,854</u>  |

**25 Events after the reporting date**

Post year end, the company has signed a senior facilities agreement with Santander giving it access to further funding. The first tranche of funding for £4.85m was received by the company in July 2024. Any further funding relies on certain covenants being met by the company.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2023

**26 Related party transactions**

**Remuneration of key management personnel**

The remuneration of key management personnel is as follows.

|                        | 2023<br>£ | 2022<br>£ |
|------------------------|-----------|-----------|
| Aggregate compensation | 837,283   | 915,124   |

**Other information**

Included within other debtors is £Nil owed to the company by director C Emery (2022: £12,750), and £Nil owed to the company by director T Saville (2021: £12,937). Both amounts are interest free and repayable on demand.

**27 Cash absorbed by operations**

|                                                      | 2023<br>£    | 2022<br>£    |
|------------------------------------------------------|--------------|--------------|
| Loss for the year after tax                          | (15,057,604) | (14,805,002) |
| <b>Adjustments for:</b>                              |              |              |
| Taxation credited                                    | (1,245,707)  | (1,560,902)  |
| Finance costs                                        | 138,882      | 1,183,635    |
| Investment income                                    | (793,690)    | (342,737)    |
| Loss on disposal of tangible fixed assets            | 3,709        | 3,212        |
| Amortisation and impairment of intangible assets     | 14,216       | 23,780       |
| Depreciation and impairment of tangible fixed assets | 631,747      | 415,539      |
| Equity settled share based payment expense           | 366,421      | 1,554,946    |
| Increase/(decrease) in provisions                    | 24,862       | (30,579)     |
| <b>Movements in working capital:</b>                 |              |              |
| (Increase)/decrease in stock                         | (20,256)     | 32,986       |
| Decrease in debtors                                  | 113,617      | 250,927      |
| Increase in creditors                                | 228,283      | 114,061      |
| (Decrease)/increase in deferred income               | (28,797)     | 51,056       |
| <b>Cash absorbed by operations</b>                   | (15,624,317) | (13,109,078) |

# CloudNC Limited

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2023

### 28 Analysis of changes in net funds

|                                  | 1 January 2023   | Cash flows       | New finance leases | 31 December 2023 |
|----------------------------------|------------------|------------------|--------------------|------------------|
|                                  | £                | £                | £                  | £                |
| Cash at bank and in hand         | 10,261,083       | 671,445          | -                  | 10,932,528       |
| Borrowings excluding overdrafts  | (473,377)        | 473,377          | -                  | -                |
| Obligations under finance leases | (573,733)        | 233,420          | (883,053)          | (1,223,366)      |
|                                  | <u>9,213,973</u> | <u>1,378,242</u> | <u>(883,053)</u>   | <u>9,709,162</u> |