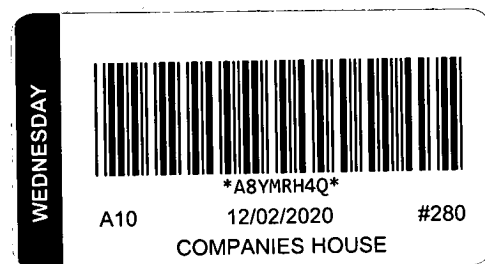


Registration number: 08778322

# Cloudflare Limited

## Annual Report and Financial Statements

for the Year Ended 31 December 2018



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## Company Information

<b>Directors</b>	M B Prince M M Zatlyn
<b>Registered office</b>	County Hall/The Riverside Building Belvedere Road Westminster Bridge Road 6th Floor London England SE1 7PB
<b>Auditors</b>	KPMG LLP Chartered Accountants 1 St Peter's Square Manchester M2 3AE
<b>Registration number</b>	08778322

## Strategic Report

for the Year Ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

### Principal activity

The principal activity of the company is that of a research and development office whilst also offering sales and support services.

### Business review

The profit for the financial year, after taxation, amounted to £1,855,283 (2017: £356,947).

The directors do not recommend the payment of a dividend (2017: £nil).

### Key performance indicators

Management monitors the business using the following key indicators:

	2018	2017	Variance
	£	£	%
Turnover	23,837,651	13,415,097	78%
Operating profit	1,975,437	568,529	247%
Net assets	4,609,515	2,304,396	100%

As Cloudflare Limited operates under an Intercompany revenue model, the primary reason for the increase in turnover is due to the increase in operating expenses.

### Principal risks and uncertainties

As the Company operates under an Intercompany revenue model, there are minimal risks and uncertainties with Cloudflare Limited's activities. Risk factors of the parent company, Cloudflare, Inc., are set out on Group consolidated financial statements and available to the public (see Note 19), which does not form part of this report.

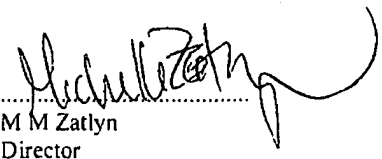
### Future developments

The directors do not expect any significant changes to the business structure.

### Research and development

Research and development expenses support the Company's efforts to add new features to its existing offerings and to ensure the security, performance, and reliability of its global cloud platform. The majority of the Company's research and development expenses result from employee-related costs, including salaries, bonuses and benefits, consulting costs, depreciation of equipment used in research and development, and allocated overhead costs.

Approved by the Board on 7 Feb 2020 and signed on its behalf by:

  
M M Zatlyn  
Director

## **Directors' Report**

for the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

### **Directors of the Company**

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

M B Prince

M M Zatlyn

### **Qualifying third party indemnity provision**

The Company has put in place qualifying third party indemnity provisions for all of the directors of Cloudflare Limited.

### **Business review and future developments**

A review of the business of the Company and future developments is included in the strategic report on page 2.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent company, Cloudflare, Inc., to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Cloudflare, Inc. providing additional financial support during that period. Cloudflare, Inc. has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### **Post balance sheet events**

On 13 September 2019, the Company's parent company, Cloudflare, Inc. (NYSE: NET), publicly listed its shares on the New York Stock Exchange.

### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

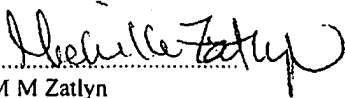
## Directors' Report

for the Year Ended 31 December 2018

### Reappointment of auditors

The auditors, KPMG LLP have indicated their willingness to continue in office. The independent auditors KPMG LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 7 Feb 2020 and signed on its behalf by:



M M Zatlyn  
Director

## **Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements**

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

## Independent Auditor's Report to the members of Cloudflare Limited

### Opinion

We have audited the financial statements of Cloudflare Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and loss account, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

### The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of intercompany debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.



## **Independent Auditor's Report to the members of Cloudflare Limited**

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and directors' report**

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

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

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

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

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

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

## Independent Auditor's Report to the members of Cloudflare Limited

### Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



Andrew Reddington (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants  
1 St Peter's Square,  
Manchester  
M2 3AE

Date: 10th February 2020

## Profit and Loss Account

for the year ended 31 December 2018

	<i>Note</i>	<i>2018</i> £	<i>2017</i> £
<b>Turnover</b>	4	23,837,651	13,415,097
Cost of sales		-	-
<b>Gross profit</b>		23,837,651	13,415,097
Administrative expenses		(23,391,023)	(12,846,568)
Other operating income	9	1,528,809	-
<b>Profit on ordinary activities before taxation</b>	10	1,975,437	568,529
Taxation on profit on ordinary activities	11	(120,154)	(211,582)
<b>Profit for the financial year</b>		1,855,283	356,947

None of the Company's activities were acquired or discontinued in the current or previous year.

The company has no recognised gains or losses for the year other than the results above.

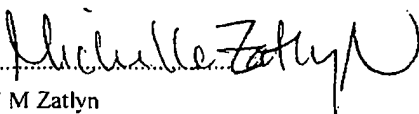
## Balance Sheet

as at 31 December 2018

Registration number: 08778322

	Note	2018 £	2017 £
<b>Non-current assets</b>			
Tangible assets	12	3,420,949	304,813
Debtors: amounts falling due after more than one year	14	172,246	290,128
		<u>3,593,195</u>	<u>594,941</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	5,352,456	3,937,494
Cash at bank and in hand	15	99,218	176,216
		<u>5,451,674</u>	<u>4,113,710</u>
<b>Creditors: Amounts falling due within one year</b>	16	<u>(4,411,344)</u>	<u>(2,404,255)</u>
<b>Net current assets</b>		<u>1,040,330</u>	<u>1,709,455</u>
<b>Total assets less current liabilities</b>		<u>4,633,525</u>	<u>2,304,396</u>
<b>Provision for liabilities</b>			
Deferred tax liabilities	17	<u>(24,010)</u>	<u>-</u>
<b>Net assets</b>		<u>4,609,515</u>	<u>2,304,396</u>
<b>Capital and reserves</b>			
Called up share capital	18	1	1
Profit and loss account		<u>4,609,514</u>	<u>2,304,395</u>
<b>Shareholders' funds</b>		<u>4,609,515</u>	<u>2,304,396</u>

Approved and authorised by the Board on 7 Feb 2019 and signed on its behalf by:



M M Zatlyn  
Director

The notes on pages 12 to 22 form an integral part of these financial statements.

## Statement of Changes in Equity

for the Year Ended 31 December 2018

	<i>Called up share capital £</i>	<i>Profit and loss account £</i>	<i>Total shareholders' funds £</i>
At 1 January 2017	1	1,566,122	1,566,123
Profit for the year	-	356,947	356,947
Share based payments	-	381,326	381,326
At 31 December 2017	1	2,304,395	2,304,396
At 1 January 2018	1	2,304,395	2,304,396
Profit for the year	-	1,855,283	1,855,283
Share based payments	-	449,836	449,836
At 31 December 2018	1	4,609,514	4,609,515

The notes on pages 12 to 22 form an integral part of these financial statements.

## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 1 General information

Cloudflare Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 08778322 and the address of its registered office is County Hall/The Riverside Building, Belvedere Road Westminster Bridge Road, 6 Floor, London, England, SE1 7PB.

### 2 Accounting policies

#### *Summary of significant accounting policies and key accounting estimates*

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### *Statement of compliance*

These financial statements have been prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

#### *Basis of preparation*

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

These financial statements are presented in £ (GBP) and rounded to the nearest Pound.

#### *Exemption for qualifying entities under FRS102*

FRS 102 allows a qualifying entity certain disclosure exemptions. Exemptions under FRS 102 paragraph 1.12 have been applied in relation to: presentation of a cash flow statement, related party transactions, certain financial instrument disclosures, share based payment arrangements and the non-disclosure of key management personnel compensation.

#### *Going concern*

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent company, Cloudflare, Inc., to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Cloudflare, Inc. providing additional financial support during that period. Cloudflare, Inc. has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## Notes to the Financial Statements

for the Year Ended 31 December 2018

### **Revenue recognition**

Turnover is accounted for as revenue when, and to the extent that, the company obtains a right to consideration in exchange for its performance of its obligations.

### **Foreign currencies**

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

### **Tax**

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

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

### **Research and development expenditure**

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred. Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are expected to exceed related future sales and adequate resources exist to enable the project to be completed.

### **Tangible assets**

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

## Notes to the Financial Statements

for the Year Ended 31 December 2018

### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<i>Asset class</i>	<i>Depreciation method and rate</i>
Fixture and fittings	3 years straight line
Long leasehold improvements	lower of 5 years or remaining lease term
Plant and machinery	2 to 4 years straight line
No depreciation is provided on land.	

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

### **Basic financial instruments**

#### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

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

#### *Impairment of financial assets*

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 within profit or loss.

For financial assets that are measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

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

### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

### **Pension costs**

Contributions to the government's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.



## Notes to the Financial Statements

for the Year Ended 31 December 2018

### **Share based payments**

Cloudflare, Inc. grants share awards to employees of Cloudflare Limited. Equity settled share based payments are measured at fair value at the date of grant and expensed on a straight line basis over the expected life of the option, based on the estimate of the number of options that will eventually vest.

### **3 Critical accounting estimations and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Judgement**

There are no judgements that have a significant effect on amounts recognised in the financial statements.

#### **Estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

##### *(i) Tangible fixed assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors, such as technological innovation, product life cycles and maintenance programmes are taken into account, etc.

In addition, estimation and assumption are used to determine whether there are indicators of impairment of the tangible assets, such as the economic viability and expected future financial performance of the asset, etc.

##### *(ii) Deferred tax assets and liability*

Due to uncertain tax positions, and the recognition and measurement of current and deferred income tax assets and liabilities are based on estimations and assumption.

## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 4 Revenue

The analysis of the Company's revenue for the year by class of business is as follows:

	2018 £	2017 £
Rendering of services	<u>23,837,651</u>	<u>13,415,097</u>

The analysis of the Company's turnover for the year by country of destination is as follows:

	2018 £	2017 £
United States	<u>23,837,651</u>	<u>13,415,097</u>

### 5 Auditors' remuneration

	2018 £	2017 £
Audit of the financial statements	<u>22,000</u>	<u>12,750</u>

### 6 Staff costs

The aggregate payroll costs were as follows:

	2018 £	2017 £
Wages and salaries	14,871,551	8,434,633
Social security costs	2,036,744	1,152,113
Pension costs, defined contribution scheme	505,409	98,751
Severance costs	68,513	15,834
Share-based payment expenses	411,449	360,575
Other employee expense	<u>675,844</u>	<u>253,429</u>
	<u>18,569,510</u>	<u>10,315,335</u>

## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 7 Staff numbers

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

	2018 No.	2017 No.
Research and Development	76	56
Sales	69	41
Administrative	11	6
	<u>156</u>	<u>103</u>

### 8 Directors' remuneration

As the directors' services to the company are insignificant, any allocation of remuneration borne by another group company would not be material and therefore no amount has been attributed.

### 9 Other operating income

The analysis of the Company's other operating income for the year is as follows:

	2018 £	2017 £
Inter-company service recharge	<u>1,528,809</u>	<u>-</u>

The Company recharged inter-company on software development work completed by their members of staff during the year.

### 10 Profit / (loss) before tax

Arrived at after charging

	2018 £	2017 £
Research and development expenditure	8,734,311	6,529,236
Depreciation expense	<u>213,501</u>	<u>178,249</u>

## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 11 Taxation

Tax charged/(credited) in the income statement

	2018 £	2017 £
<b>Current taxation</b>		
Current year	111,807	303,697
Over/under provision in respect of prior years	(169,715)	-
Others	8,758	(1,671)
	<u>(49,150)</u>	<u>302,026</u>
<b>Deferred taxation</b>		
Current year	(94,988)	(99,238)
Over/under provision in respect of prior years	268,887	-
Other	(2,503)	-
Arising from changes in tax rates and laws	(2,092)	8,794
	<u>169,304</u>	<u>(90,444)</u>
Tax expense in the income statement	<u>120,154</u>	<u>211,582</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2017 - higher than the standard rate of corporation tax in the UK) of 19% (2017 - 19.25%).

The differences are reconciled below:

	2018 £	2017 £
Profit before tax	<u>1,975,437</u>	<u>568,529</u>
Corporation tax at standard rate of 19% (2017: 19.25%)	375,333	109,442
Change in profit before tax	-	118,517
Over/under provision in respect of prior years	99,172	-
Others	4,163	(16,755)
Permanently disallowed expenses	52,071	378
R&D credit	<u>(410,585)</u>	<u>-</u>
Total tax charge	<u>120,154</u>	<u>211,582</u>

## Notes to the Financial Statements

for the Year Ended 31 December 2018

### Factors that may affect future tax charges

The standard rate of tax applied on ordinary activities is 19% (2017: 19.25%). The Finance (No.2) Act 2017 received Royal Assent on 16 November 2017 which will reduce the rate further to 17% from 1 April 2020. The enacted rates have accordingly been recognised in these financial statements when calculating deferred tax.

### 12 Tangible assets

	<i>Long leasehold improvements</i> £	<i>Properties under construction</i> £	<i>Plant and machinery</i> £	<i>Fixtures and fittings</i> £	<i>Total</i> £
<b>Cost or valuation</b>					
At 1 January 2018	237,706	-	297,179	19,270	554,155
Additions	-	3,163,873	166,788	-	3,330,661
Disposals	-	-	(43,227)	-	(43,227)
At 31 December 2018	<u>237,706</u>	<u>3,163,873</u>	<u>420,740</u>	<u>19,270</u>	<u>3,841,589</u>
<b>Depreciation</b>					
At 1 January 2018	98,621	-	140,547	10,174	249,342
Charge for the year	56,619	-	151,959	5,947	214,525
Eliminated on disposal	-	-	(43,227)	-	(43,227)
At 31 December 2018	<u>155,240</u>	<u>-</u>	<u>249,279</u>	<u>16,121</u>	<u>420,640</u>
<b>Carrying amount</b>					
At 31 December 2018	<u>82,466</u>	<u>3,163,873</u>	<u>171,461</u>	<u>3,149</u>	<u>3,420,949</u>
At 31 December 2017	<u>139,085</u>	<u>-</u>	<u>156,632</u>	<u>9,096</u>	<u>304,813</u>

During the year, the parent company, Cloudflare, Inc. transferred some Office Machinery & Laptop to Cloudflare Ltd. (Cost - £45,504, Depreciation - £1,024).

## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 13 Debtors: amounts falling due within one year

	Note	2018 £	2017 £
Amounts owed from group undertakings	19	3,251,762	3,534,999
Prepayments		544,421	402,495
Other debtors		1,436,487	-
Corporation tax asset		119,786	-
		<u>5,352,456</u>	<u>3,937,494</u>

### 14 Debtors: amounts falling due after more than one year

	2018 £	2017 £
Long Term Deferred Tax Assets	-	145,294
Long Term Deposits	<u>172,246</u>	<u>144,834</u>
	<u>172,246</u>	<u>290,128</u>

### 15 Cash and cash equivalents

	2018 £	2017 £
Cash at bank	<u>99,218</u>	<u>176,216</u>

## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 16 Creditors

*Creditors: amounts falling due within one year*

	Note	2018 £	2017 £
Trade creditors		1,547,985	397,855
Amounts due to related parties	19	-	424,981
Social security and other taxes		637,902	371,226
Other creditors		1,011,750	133,143
Accruals		1,213,707	513,057
Income tax liability		-	563,993
		<u>4,411,344</u>	<u>2,404,255</u>

### 17 Deferred taxation

	2018 £	2017 £
At 1 January	145,294	(9,091)
Charged to the profit and loss account	<u>(169,304)</u>	<u>154,385</u>
At 31 December	<u>(24,010)</u>	<u>145,294</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Tangible fixed assets	(9,643)	26,379
Share based payment	239,463	99,266
Employee benefits	15,096	19,649
Deferred commission	<u>(268,926)</u>	<u>-</u>
	<u>(24,010)</u>	<u>145,294</u>

## Notes to the Financial Statements

for the Year Ended 31 December 2018

### 18 Share capital

*Allotted, called up and fully paid shares*

	2018		2017	
	No.	£	No.	£
Ordinary shares of £0.01 each	<u>100</u>	<u>1.00</u>	<u>100</u>	<u>1.00</u>

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

### 19 Related party transactions

The Company is a subsidiary undertaking of Cloudflare, Inc., which is the ultimate parent company incorporated in the USA.

#### Cloudflare, Inc.

Cloudflare Limited carries out research and development along with sales and support activities on behalf of the parent company, Cloudflare, Inc. Turnover derived from the provision of these services in the year was £23,837,651 (2017: £13,415,097). Cloudflare Limited have an intercompany payable owed to Cloudflare, Inc. of £nil (2017: £424,981). Cloudflare Limited have an intercompany receivable owed from Cloudflare, Inc. of £3,251,762 (2017: £3,534,999) at 31 December 2018.

### 20 Ultimate parent undertaking and controlling party

The Company is a subsidiary undertaking of Cloudflare, Inc. The ultimate controlling party is Cloudflare, Inc.

The largest group in which the results of the Company are consolidated is that headed by Cloudflare, Inc., 101 Townsend Street, San Francisco, CA 94107. No other group financial statements include the results of the Company. The consolidated financial statements of the group are available to the public.

### 21 Post balance sheet events

On 13 September 2019, the Company's parent company, Cloudflare, Inc. (NYSE: NET), publicly listed its shares on the New York Stock Exchange.