2 March 2021

CloudCoCo Group plc

("CloudCoCo", "the Group" or "the Company")

Final Results

CloudCoCo (AIM: CLCO), a UK provider of IT and communications solutions to businesses and public sector organisations, announces its final results for the year ended 30 September 2020.

Financial highlights

- Revenue up 10% to £8.0m (2019: £7.3m)
- Total contract value ("TCV") signed up 97% to £5.2m (2019: £2.7m), reflecting early successes in prioritising multi-year deals across both new and existing customers
- Trading Group EBITDA[1] grew £496k to £261k (2019: loss of £235k)
- After plc and exceptional costs, together with amortisation and interest charges, reduced pre-tax loss of £3.0m (2019: loss of £5.6m)
- Cash at bank of £0.6m at 30 September 2020 (2019: £0.3m)
- Net assets of £5.0m at 30 September 2020 (2019: net liabilities £1.1m)

[1] earnings before net finance costs, tax, depreciation, amortisation, plc costs, exceptional costs and share-based payments

Operational highlights

- Appointment of new CEO, Mark Halpin, and CFO, Michael Lacey
- Several new multi-year contracts signed in line with the Group's refreshed focus
- Successful completion of the Group's 'get well' phase
- Resilient performance despite COVID-19 headwinds, with progress made against all elements of the Group's strategy

Post-period highlights

- Continued progress, with a strong start to FY21 at a sales and Trading Group EBITDA level – management accounts for the first 4 months of FY21 show Trading Group EBITDA already ahead of the £261k achieved in the full 12 months of FY20
- Secured multi-year contract extensions with Vantage Motor Group and Baywater Healthcare, two of CloudCoCo's largest clients by revenue
- All qualifying colleagues granted performance-based share options under 'CoCo-One' initiative to align colleagues incentivisation with shareholders' interests
- New website launched

Simon Duckworth, Non-Executive Chairman of CloudCoCo, commented:

"I am delighted with what the team have been able to achieve, in what was a year of significant upheaval and change for everyone at CloudCoCo under particularly challenging circumstances.

Through careful planning, consistent hard work, determined execution, and by fostering a positive and collaborative working environment, we have made some significant progress in turning the business around in a remarkably short space of time.

We are still in the early stages of our long-term plan, but there are green shoots clearly emerging. With a focussed strategy in place to continue making progress, we are confident we are now on the right path to unlocking the immense potential in this business."

Mark Halpin, CEO of CloudCoCo, commented:

"Thanks to the team of incredibly talented, committed, hard-working and resilient people that I am fortunate enough to work with, the reset and recovery phase of the strategy – 'get well' – is now complete.

Our priority since we became CloudCoCo Group plc was to re-position the business for an exciting future of sustainable, long-term growth, and in just over the 11 months together represented by these results, we have gone a long way to achieving that. There is important work still to be done but, looking ahead, we move into the 'get fit' phase of the strategy – where there is a greater emphasis on business development – in a position of strength.

The wider trading environment continues to be characterised by uncertainty, but with the right foundations now in place and guided by a simple focus on world-class customer support, technology choice and responsiveness, the future is bright for CloudCoCo and I am excited about what we can achieve together."

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This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

About CloudCoCo

Supported by a team of industry experts and harnessing a diverse ecosystem of partnerships with blue-chip technology vendors, CloudCoCo makes it easy for businesses and public sector organisations to work smarter, faster and more securely by providing a single point of purchase for their cloud, cyber security, connectivity, collaboration and IT hardware support needs.

CloudCoCo has offices in Warrington and Leeds in the UK.

www.cloudcoco.co.uk

Chairman's statement

Following the acquisition of CloudCoCo Limited and re-brand as CloudCoCo Group plc ("CloudCoCo", the "Group" or the "Company" together with its subsidiaries) towards the end of 2019, the new management team implemented a plan to address key areas for improvement and, despite the majority of the financial year taking place against a backdrop of persistent disruption and uncertainty caused by COVID-19, they have made significant progress on all fronts.

While the headline numbers remain modest, the swing from a negative to a positive Group Trading EBITDA[1] is indicative of the direction of travel. I am very encouraged by the performance, which is a direct result of the good work that has taken place behind the scenes – both operationally and culturally – and sets the tone for the future of the business. Ultimately, the success of the turnaround will be judged on CloudCoCo's ability to deliver on a consistent basis over time, but the progress made in year one is cause for optimism.

Strategic progress

This time last year I outlined four key objectives for the financial year under review. These were: increase sales, reduce customer churn, reduce costs, and return to net cash generation. I am pleased with the significant progress against all these objectives, which is detailed further in the chief executive officer's review.

Financing

Alongside the acquisition of CloudCoCo Limited, we put measures in place to improve the Group's financing facilities. As part of this, our loan note debt was reduced from £5.0 million to £3.5 million, with interest being rolled up rather than paid. We also received a £0.5 million working capital facility, on which interest is payable on drawn down amounts.

People

On 31 March 2020, Mark Halpin was appointed as Chief Executive Officer. Mark, who founded CloudCoCo Limited in 2018 and had been responsible for the Group's business development activities post-acquisition, replaced Andy Mills, with Andy remaining on the board as a non-executive director. This followed the appointment of Michael Lacey on 21 January 2020 as Chief Financial Officer. Michael replaced Jill Collighan, who had previously fulfilled the role on a part-time basis. Jill remains on the board as a non-executive director.

More widely, the fresh perspectives and approaches brought about by our new joiners from CloudCoCo Limited have breathed new life into the firm. Equally as impressive is the way our existing teams have embraced the change in mentality and new ways of working. Colleagues old and new across the business are now operating as one cohesive unit with shared values and ambitions, something Mark has actively promoted since his arrival, culminating in the introduction of 'CoCo-One', our colleague share options and continual improvements programme post-period.

Finally, we remind shareholders of our intention to appoint an additional Independent Non-executive Director as and when we find a suitable candidate.

Looking ahead

We recognise the pandemic brings a balance of risks and opportunities but, despite ongoing uncertainty, remain confident of the opportunities available to us , as well as in our ability to capitalise on them. With a combination of exceptional leadership, dedicated staff delivering a first-class service, and a clear growth strategy, we have made a strong start to the new financial year and are excited for what lies ahead.

Simon Duckworth

Non-Executive Chairman

1 March 2021

[1] earnings before net finance costs, tax, depreciation, amortisation, plc costs, exceptional items and share based-payments

Chief executive officer's review

Overview

CloudCoCo provides IT and communications solutions to UK businesses. Our skilled team of Microsoft, cloud, cyber security, connectivity, collaboration, and IT hardware experts work to deliver solutions that underpin and support our customers' activities. In doing so, we collaborate extensively with a range of partners, service providers, distributors and vendors. Our services enable business optimisation and transformation, team-working, cost savings, and streamlined workflows through a commitment to continued innovation.

Our target market spans mid-to-large organisations in both the commercial and public sectors, united by their desire to work smarter, innovate and be more efficient. Our transformative technology solutions provide customers with the necessary foundations to participate in a modern, resilient and secure digital-based economy.

CloudCoCo's mission has always been straightforward – we want to attract, engage and delight our customers by providing a highly responsive, talented team to solve business problems with technology. Our business can only move forward if we create long-lasting and meaningful relationships with our stakeholders – colleagues, customers and ecosystem partners.

Introduction

The focus since my appointment has been to address legacy issues in the former Adept4 business through a disciplined 'back to basics' approach, while positioning the business for long-term, sustainable growth. We are still only scratching the surface in terms of uncovering the opportunities available to us, and it will take time for us to realise our ambitions, but nonetheless I am proud of what we have been able to achieve together to date.

This time last year, the Chairman outlined four key objectives for the financial year under review. These were: increase sales, reduce customer churn, reduce costs, and return to net cash generation. As noted at the time, these were simple objectives, but it was clear that a return to basics was necessary to correct the course of the business and lay the foundations for future growth.

The progress we have made is all the more encouraging as 2020 was a period defined by significant uncertainty and disruption as a result of the pandemic. I am particularly pleased with the £0.5 million swing in Group Trading EBITDA, the increase in multi-year contracts and, most of all, the significant improvements to customer satisfaction and immediate call answer times.

Progress against FY20 objectives

Increasing sales

The business saw sales growth across its recurring services (5% increase) and product (31% increase) reporting segments, with moderate growth in professional services despite COVID-19 related disruption.

Revenue	**12 months to 30 September 2020 £'000**	**12 months to 30 September** 2019 £'000
By operating segment		
Recurring services	**5,412**	5,153
Product	**1,839**	1,405
Professional services	**719**	699
Total revenue	**7,970**	**7,257**

Total contract value ("TCV") is an important performance indicator for the Group, and I am pleased to report it grew 97% to £5.2 million (FY19 at £2.7 million), with several new deals being signed on 36 to 60 month contracts. Improving the average length of our contracts from a base position of 12 months is crucial to realising our long-term growth ambitions. Doing so provides us with the additional security of contracted and committed revenues, as well as the scope to develop genuine partnerships with customers that should prove fruitful over time. In FY20 our average contract value length increased to 1.19 years (FY19: 1.06 years), with our forward pipeline closer to two years.

The solid performance of recurring services is a product of the hard work of our teams in addressing the customer satisfaction levels that had been diminishing under the Adept4 business. We are seeing particularly promising traction in our telephony business, both in terms of signing new customers and meeting growing demand from major systems integrators.

Our product segment also held up well, with a steady stream of monthly hardware orders driven in part by the transition to home working beginning in March. We also saw larger orders from boohoo and a major operator of franchised car dealerships as part of their three and five-year managed cyber security services contracts respectively.

Professional services saw the most pressure as a result of the national lockdown and associated restrictions on travel and social distancing. These measures made it difficult to either deliver or sign new work in certain periods. That we have achieved modest growth in our revenues across this segment despite these pressures is testament to the hard work, adaptability and resilience of our team.

In September, we announced the launch of our Secure Global Learning Access ("SGLA") solution for UK education institutions and their students. In partnership with Fortinet, a global leader in broad, integrated and automated cyber security solutions, we developed a scalable solution allowing students studying abroad to remotely access learning resources without compromising internet speed, security or contravening internet restriction laws. Post-period, we signed our first education client for the solution, which is now helping Chinese students learn remotely.

Towards the end of the period, we built the new plan to accelerate sales into the 'get fit' stage of the strategy. With the deep operational reset of the business now largely complete, we can focus more of our efforts on business development – signing new customers and deepening our relationships with existing ones. The sales function itself is now a much more robust and optimised operation. The new team has rapidly improved its organisation, reporting, discipline and accuracy, while ensuring resources are directed into the right places to win high-quality business.

Reducing customer churn

Delighting customers is a key component of CloudCoCo's mission and I am pleased to report the comprehensive review of our support function and the subsequent measures we have taken to improve it have largely been successful.

As is the case with all businesses of our nature, the pandemic impacted some of our customers more than others and some have been forced to reduce the services they take from us but the trend of year on year reduction in customer churn is clear. Overall satisfaction is now at a high level, reflected in the fact the majority of our largest customers have renewed with us, a key priority in the period.

Reducing costs

The comprehensive spending review undertaken across the Group's sites to reduce and optimise costs is now largely complete, resulting in a material reduction for the financial year and significant annualised savings that will continue to benefit the business going forwards. The process is ongoing as we look to make the business as efficient as possible and ultimately sustainable on the strength of its recurring margins.

Returning to net cash generation

The return to net cash generation continues to be on course, with the Group now profitable at a Group Trading EBITDA level. During the period, cash increased to £0.6 million (FY19: £0.3 million). Some of this increase is new debt, comprised of £0.1 million of MXC's working capital facility and a COVID-19 Bounce Back Loan of £50,000.

COVID-19

Our priority from the onset of the pandemic has always been the health and safety of our colleagues and stakeholders. In March 2020, we moved to home working, prior to the national lockdown announcement. Given the extraordinary set of circumstances prompted by the virus, we made sure to provide all staff with whatever they needed, including mental health support.

As lockdown eased, our offices were made safe and those that needed to work from them could do so. While the 'work from anywhere' mentality had already existed in parts of our mobile workforce, our staff are now fully equipped to work to their best abilities wherever they are.

The impact of the COVID-19 pandemic on the business has been mixed. Initially, as home working became commonplace across the country, we saw increased orders for our hardware and support to facilitate the transition. As the economic impact of the pandemic became clear, we began to experience industry-wide headwinds through delays in orders, including much of our pipeline of larger opportunities across all three of our service lines – including those linked to planned office moves which were unable to go ahead in line with original time scales but have shifted to FY21.

To ensure the long-term stability for the Group, we have taken steps to reduce our overheads and safeguard cash. During the period, we made use of the Government's furlough scheme and VAT deferral, as well as the previously mentioned COVID-19 Bounce Back Loan.

Market

CloudCoCo is a sector agnostic business, working across a range of industries and sectors to deliver digital transformation to our customers.

Within this, our expertise lies within four main areas of technology – cloud, collaboration, connectivity and cyber security, the business values of which have been amplified by the pandemic, with organisations rapidly pivoting to remote working practices to ensure business continuity.

Cloud

Hardware-based on-premise solutions continue to make up the majority of IT spend. Despite this, market research indicates cloud-based solutions are growing rapidly as a result of the business agility, transformation, scalability and innovation they enable. This trend towards cloud-based solutions predates COVID, but the widespread move to remote working necessitated by the pandemic has had a significant, positive impact on the rate of adoption.

As a Tier 1 Microsoft Cloud Solution Provider (CSP) with Gold Cloud Platform Competency, CloudCoCo is able to support organisations throughout their journey of cloud adoption – through strategy, planning, readiness, migration, management and governance.

Collaboration

With a dramatic increase in the monthly user base of Microsoft's Teams collaboration platform and with remote working set to endure for the foreseeable future, there is a significant opportunity for managed services providers like CloudCoCo to lead the way in enabling organisations to swiftly adopt, actively use and fully realise the user experience and business productivity outcomes offered by cloud-based unified communications and collaboration solutions.

Connectivity

Organisations now need to connect a more distributed community of users with a more dispersed mix of corporate data centre applications, public cloud environments, SaaS services and data storage resources. CloudCoCo can support organisations with hybrid IT and multi-cloud environments across many hundreds of locations and thousands of users, delivering various forms of modern connectivity such as high speed internet, WiFi and piping.

Cyber security

Cyber security has been propelled to the top of board agendas in recent years and as the world becomes more digitised, perpetrators become more sophisticated in their approaches, and high-profile attacks make headline news. As organisations move more of their information assets online, the incentive for criminals to access them increases, as does the financial and reputational cost of a breach.

The acceleration of the shift to remote working following the outbreak of COVID-19 has exponentially increased the cyber threat faced by organisations. Devices and data have been moved outside of the relative safety of an organisation's networks, making them more vulnerable to unauthorised access and theft. To counter this new threat environment, we expect an uptick in the adoption of new and innovative security solutions.

While CloudCoCo is well-positioned to benefit from these long-term trends in those four areas, looking ahead to 2021, market conditions will continue to be affected by COVID-19 uncertainty, with some companies reluctant to commit to the longer-term.

That said, the technology sector has been exceptionally resilient, and our pipeline remains healthy. The past year has demonstrated there remains a strong appetite among a wide range of organisations to seek to enhance their competitive advantage through the application of technology.

Partnership ecosystem

Relationships with our world-class vendors and innovative technology partners have developed over the past year, fortifying an already key competitive advantage for the Group.

We have rationalised our partners within our four main areas of technology while deepening relationships with firms such as Microsoft, Gamma, Zen, City Fibre, Lenovo, Fortinet and Mitel. In the coming year, we will look to continue in a similar vein, focusing on areas such as cloud-based business-class communications through Mitel and dynamic cloud security through Fortinet. Post-period, Lenovo awarded us 'Gold' status in its national partner programme, and we are now one of the first partners to be listed on the AWS marketplace for our Fortinet cloud security capability, demonstrating the growing recognition and appreciation of the work we do.

FY21 objectives

With tangible progress against all the objectives laid out by the Chairman a year ago, the Group now enters what is referred to internally as the 'get fit' stage of its recovery strategy, with a focus on landing new contracts and improving the quality of our revenues while maintaining the highest standards of service. With this in mind, our core objectives evolve into the following:

1. **Accelerate sales**

   With much of the operational heavy-lifting complete and the sales function now fully re-calibrated and re-energised, the next step is to ramp up business development and keep the top line moving along its current trajectory.

2. **Maintain excellent support levels**

   Customer support has improved dramatically in the past year following a comprehensive review of working practices, reorganisation and the introduction of a strict set of new performance metrics. With multi-year contracts a key strategic focus for the business, maintaining leading levels of customer satisfaction is critical to our continued success.

3. **Maintain cost vigilance**

   In the 'get well' phase, management left no stone unturned in scrutinising every cost to ensure there is no unnecessary expenditure throughout the business. This is an ongoing process – as we continue to grow, we will continue to monitor every penny spent to ensure the business is running as efficiently as possible.

4. **Improve cash position**

   It follows that if we are able to deliver against the first three objectives, our cash position will continue to steadily improve.

Taking a longer-term view, I am excited to further develop the Group, improving our offering for our existing customers and winning new ones, while bringing our talented colleagues – now share option holders – even closer together.

I am immensely grateful to all our colleagues for their efforts and continued support, and to our customers who have supported us and shown patience as we have transitioned to CloudCoCo Group plc. The willingness of both our new joiners from CloudCoCo Limited and existing teams to collaborate and drive us forward has been fantastic to see, and there is a real sense our colleagues are now operating together as one team with a set of shared values and ambitions. We look forward this year to making CloudCoCo an even better place to work. I would also like to express my gratitude to our partners, who have backed my vision from the start and continue to stand shoulder to shoulder with us on a daily basis.

Current trading and outlook

We have made a strong start to FY21 at a sales and Trading Group EBITDA level. Management accounts for the first 4 months of FY21 show Trading Group EBITDA already ahead of the £261k achieved in the full 12 months of FY20. The early signs of success in the 'get fit' phase of our recovery are clear, with several multi-year contracts having been signed post-period with both new and renewing customers.

Key among these were renewals with some of our largest accounts, including Baywater Healthcare on an 18-month term, a major university on a 24-month term. and Vantage Motor Group on a 36-month term.

New business wins of note include contracts to help a leading law firm, and a major English council successfully transition to home working through the delivery of our IT hardware and telephony solutions.

We are also seeing the benefits of cost reductions starting to filter through, despite the impact of further lockdowns.

The key is now for us to continue to attract and engage with the considerable number of organisations looking to digitally transform their operations. I am confident our ability to produce uniquely collaborative offerings through our ecosystem of partners and solve complex problems for our customers will continue to differentiate us as we move forwards.

Mark Halpin

Chief Executive Officer

1 March 2021

Financial review

Acquisition of CloudCoCo Limited and Refinancing

On 21 October 2019, the Group acquired the entire share capital of CloudCoCo Limited ("Acquisition"). The consideration for the acquisition was satisfied through the issue of 218,160,586 ordinary shares in the Company which represented approximately 49.0% of the enlarged share capital. The shares were issued at the mid-market closing price of 3.3 pence, representing a total value of £7.2 million at completion.

On completion of the acquisition, a number of actions were taken to refinance the Group ("Refinancing")

- £1.5 million of the £5.0m loan notes held by the Business Growth Fund ("BGF") were waived and cancelled by BGF, reducing the Company's liability to £3.5 million.
- BGF's 50 million options were repriced to 0.35 pence. BGF exercised all of its options in October 2019.
- MXC Guernsey Limited ("MXCG"), a wholly owned subsidiary of MXC Capital Limited ("MXC"), which now holds 15.2% of the shares in the Company, purchased the remaining £3.5 million loan notes from BGF.
- The terms of the loan notes were restructured and the loan notes now carry a coupon of 12%, compounded per annum, rolled up and payable only at the end of the term.
- The term of the loan notes has been extended to October 2024 with no repayment due until that date unless the Company chooses to repay early.
- At the same time, MXCG extended a £0.5 million, 2 year, working capital facility to the Company with interest charged at a rate of 12% per annum on amounts drawn down.
- MXC cancelled the warrants it held over 5% of the then issued and to be issued share capital of the Company.

On 29 November 2019, the Company's name was changed from Adept4 plc to CloudCoCo Group plc.

Revenue and gross margin

Group revenue for the year to 30 September 2020 grew by 10% to £8.0 million (FY19 £7.3 million) with increased sales in each of the three revenue streams of recurring services, product and professional services.

This produced a gross profit of £3.4 million (FY19: £3.7 million) representing a gross margin of 42.9% (FY19: 51.4%). The reduction in margin predominantly relates to the recurring services segment, as explained below.

The analysis of revenue from each of our operating segments is shown in Note 3 and is detailed below.

Recurring services

Recurring services relate to the provision of continuing IT services which have an ongoing billing and support element.

Revenues from recurring services were £5.4 million (FY19: £5.2 million), generating a gross profit of £2.5 million (FY19: £2.9 million) and a gross margin of 47% (FY19: 56%). The reduction in the gross margin is due to a different mix of services provided between in house and third party resources.

The proportion of our total revenue derived from recurring services continued to be high at 68% (FY19: 71%).

Product sales

Product sales are the resale of solutions (hardware and software) from leading technology vendors.

Revenues from product sales were higher than those in FY19 at £1.8 million (FY9: £1.4 million) due to hardware sales in advance of multi-year support contracts and assisting customers who were transitioning to home working. Product sales generated a gross profit of £0.4 million (FY19: £0.3 million) and gross margin of 23% (FY19: 20%).

Professional services

Professional services comprises the provision of highly skilled resource to consult, design, install, configure and integrate IT technologies.

Revenues from professional services were £0.7 million (FY19: £0.7 million) generating a gross profit of £0.5 million (FY19: £0.6 million) as permanent employee costs are included in overheads. In the year to 30 September 2020 a greater proportion of projects used third party contractors, resulting in a fall in margin to 65% (FY19: 79%).

Operating performance, costs and EBITDA

Aside from revenue, gross profit and cash balances, one of our main financial key performance indicators is our Trading Group EBITDA – our operational trading performance before plc costs. This measure best equates to the cash profitability of the Group before exceptional items and net finance expenses.

Excluding plc costs of £0.5 million (FY19: £0.4 million) ,our trading overheads during the year fell by 18% to £3.3 million (FY19: £4.0 million), of which staff costs comprised 81% (FY19: 84%). Following the COVID-19 epidemic, various measures were taken in the second half of FY20 to protect the business including temporary pay cuts and use of the Government furlough scheme. In addition some early successes from the "get well" initiatives improved trading performance. During the year the Group returned to modest levels of monthly Trading Group EBITDA profit and resulted in a Trading Group EBITDA of £0.3million (FY19: loss of £0.2 million).

The adoption of IFRS 16 Leases has resulted in an increase to Trading Group EBITDA of £68,000. Further details can be found in note 1.2.

Exceptional Items

During the year we incurred certain costs which were not directly related to the generation of revenue and trading profits. Given their size and nature, they have been classified as exceptional items within the Consolidated Income Statement. These items totalled £0.5 million of which £0.4 million relates to CloudCoCo Limited acquisition costs and £0.1 million relates to integration and reorganisation costs. In the year to 30 September 2019, exceptional items were £3.2 million of which £3.0 million related to the impairment of goodwill and other intangible assets on previous acquisitions and £0.2 million related to integration and reorganisation costs.

Net finance expenses, depreciation, amortisation and financial results for the full year

During the year the Group incurred net finance costs of £0.5 million (FY19: £0.6 million). £0.4 million of this was interest on loan notes that was rolled up and not paid as a cash cost. The Group incurred non-cash costs including total amortisation and depreciation charges of £1.8 million (FY19: £1.0 million). After accounting for a deferred tax credit of £0.3 million (2019: £0.4 million) the reported loss for the year after tax was £2.7 million compared to a loss after tax for the year to 30 September 2019 of £5.2 million after recording an impairment charge of £3.0 million.

Statement of Financial Position and cash

At 30 September 2019, following the £3.0 million impairment charge in respect of its goodwill and intangible assets, the Group had net liabilities of £1.1 million.

In October 2019 there was a Refinancing of the business and further details are set out above. As a result of this Refinancing, together with the Acquisition, the Group has now returned to a positive net asset position of £5.0 million. Cash balances at 30 September 2020 were £0.6 million (FY19: £0.3 million) whilst net debt was £3.0 million (FY19: £4.0 million). Net debt comprises cash balances of £0.6 million less the loan notes and rolled up interest of £3.4 million together with £0.2 million of lease liabilities, £0.1 million of the MXCG working capital facility and a COVID-19 Bounce Back Loan of some £50,000.

The Group had a net cash inflow during the year of £0.3 million (FY19 cash outflow of £1.1 million). The main components of the cash inflow in the year were as follows:

- cash generated from operating activities excluding costs of CloudCoCo Limited acquisition of £0.5 million
- costs of £0.4 million acquiring CloudCoCo Limited
- monies received for the issue of shares to BGF of £0.2 million and;
- draw down of MXCG working capital facility of £0.1 million

Further details on the financial position of the Group are contained in note 1.1.

Consolidated income statement

for the year ended 30 September 2020

	Note	**2020 £'000**	2019 £'000
Continuing operations			
Revenue	3	**7,970**	7,257
Cost of sales		**(4,554)**	(3,530)
Gross profit		**3,416**	3,727
Other income		**97**	-
Administrative expenses		**(5,963)**	(8,716)
Trading Group EBITDA [1] – non statutory measure		**261**	(235)
Amortisation of intangible assets		**(1,623)**	(907)
Plc costs		**(461)**	(421)
Depreciation		**(113)**	(100)
Exceptional item – impairment of goodwill and intangible assets	4	**-**	(3,021)
Exceptional items – other	4	**(540)**	(234)
Share-based payments		**26**	(71)
Operating loss	5	**(2,450)**	(4,989)
Interest receivable	6	**1**	3
Interest payable	6	**(518)**	(602)
Net finance expense		**(517)**	(599)
Loss before taxation		**(2,967)**	(5,588)
Taxation	7	**288**	438
Loss and total comprehensive loss for the year attributable to owners of the parent		**(2,679)**	(5,150)
Loss per share			
Basic and fully diluted	8	**(0.56)p**	(2.27)p

[1]earnings before net finance costs, tax, depreciation, amortisation, plc costs, exceptional items and share-based payments

Consolidated statement of financial position

as at 30 September 2020

	30 September 2020 £'000	30 September 2019 £'000
Non-current assets		
Intangible assets	**10,359**	4,394
Property, plant and equipment	**221**	62
Total non-current assets	**10,580**	4,456
Current assets		
Inventories	**31**	32
Trade and other receivables	**1,856**	1,489
Cash and cash equivalents	**588**	311
Total current assets	**2,475**	1,832
Total assets	**13,055**	6,288
Current liabilities		
Trade and other payables	**(2,465)**	(1,664)
Contract liabilities	**(565)**	(513)
Borrowings	**(104)**	-
Lease liability	**(122)**	(32)
Total current liabilities	**(3,256)**	(2,209)
Non-current liabilities		
Contract liabilities	**(364)**	(94)
Borrowings	**(3,458)**	(4,270)
Lease liability	**(61)**	(16)
Deferred tax liability	**(940)**	(810)
Total non-current liabilities	**(4,823)**	(5,190)
Total liabilities	**(8,079)**	(7,399)
Net assets / (liabilities)	**4,976**	(1,111)
Equity		
Share capital	**4,952**	2,271
Share premium account	**17,630**	11,337
Capital redemption reserve	**6,489**	6,489
Merger reserve	**1,997**	1,997
Other reserve	**122**	1,720
Retained earnings	**(26,214)**	(24,925)
Total equity	**4,976**	(1,111)

Consolidated statement of changes in equity

for the year ended 30 September 2020

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2018	**2,271**	**11,337**	**6,489**	**1,997**	**1,649**	**(19,775)**	**3,968**
Loss and total comprehensive loss for the period	—	—	—	—	—	(5,150)	(5,150)
Transactions with owners							
Share-based payments	—	—	—	—	71	—	71
Total transactions with owners	—	—	—	—	71	—	71
Total movements	—	—	—	—	71	(5,150)	(5,079)
Equity at 30 September 2019	**2,271**	**11,337**	**6,489**	**1,997**	**1,720**	**(24,925)**	**(1,111)**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2019	**2,271**	**11,337**	**6,489**	**1,997**	**1,720**	**(24,925)**	**(1,111)**
Loss and total comprehensive loss for the period	—	—	—	—	—	(2,679)	(2,679)
Transactions with owners							
Extinguishment of BGF Loan Notes in consideration for issue of 50,000,000 shares at 0.35p per share (note 9)	500	1,275	—	—	(1,330)	1,148	1,593
Issue of 218,160,586 shares to CloudCoCo vendors at 3.3p per share (note 10)	2,181	5,018	—	—	—	—	7,199
Cancellation of 11,353,255 share warrants held by MXC Guernsey on acquisition of CloudCoCo Ltd	—	—	—	—	(242)	242	—
Share-based payments	—	—	—	—	(26)	—	(26)
Total transactions with owners	2,681	6,293	—	—	(1,598)	1,390	8,766
Total movements	2,681	6,293	—	—	(1,598)	(1,289)	6,087
Equity at 30 September 2020	**4,952**	**17,630**	**6,489**	**1,997**	**122**	**(26,214)**	**4,976**

Consolidated statement of cash flows

for the year ended 30 September 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
Loss before taxation	**(2,967)**	(5,588)
Adjustments for:		
Depreciation – owned assets	**36**	100
Depreciation – right of use assets	**77**	—
Amortisation	**1,623**	907
Share-based payments	**(26)**	71
Net finance expense	**517**	599
Costs relating to acquisition of CloudCoCo Limited	**435**	—
Settlement of warranty claim	—	600
Impairment of goodwill	—	3,021
(Increase) / decrease in trade and other receivables	**(65)**	811
Decrease/ (increase) in inventories	**1**	(6)
Increase / (decrease) in trade payables, accruals and deferred income	**866**	(1,145)
Cash flows from taxation	**—**	—
Net cash from / (used in) operating activities before acquisition costs	**497**	(630)
Costs relating to acquisition of CloudCoCo Limited	**(435)**	—
Net cash from (used in) operating activities	**62**	(630)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(37)**	(16)
Acquisition of CloudCoCo Limited, net of cash acquired	**157**	—
Purchase of intangible assets	**—**	(40)
Interest received	**1**	3
Net cash from / (used in) investing activities	**121**	(53)
Cash flows from financing activities		
Proceeds from exercise of BGF share options	**175**	—
Receipt of loan funds from MXCG	**100**	—
Receipt of loan funds from COVID-19 Bounce Back Loan	**50**	—
Payment of lease liabilities	**(183)**	(30)
Interest paid	**(48)**	(403)
Net cash from / (used in) financing activities	**94**	(433)
Net increase / (decrease) in cash	**277**	(1,116)
Cash at bank and in hand at beginning of period	**311**	1,427
Cash at bank and in hand at end of period	**588**	311
Comprising:		
Cash at bank and in hand	**588**	311

Notes to the consolidated financial statements

1. General information
CloudCoCo Group plc is a public limited company incorporated in England and Wales under the Companies Act 2006. The Board of Directors approved this preliminary announcement on 1 March 2021. Whilst the financial information included in the preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as endorsed by the European Union, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS and does not constitute statutory accounts of the Company for the years ended 30 September 2020 and 2019.

The financial information for the period ended 30 September 2019 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2020 will be delivered to the Registrar of Companies as soon as practicable following approval. The auditors have reported on those accounts; their reports were unqualified and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

The principal activity of the Group is the provision of IT Services to small and medium-sized enterprises in the UK. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which each of the Group's subsidiaries operates.

1.1 Basis of preparation
The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs) as applied in accordance with provisions of the Companies Act 2006. The measurement bases and principal accounting policies of the Group are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Going concern
The Group had positive net assets at 30 September 2020 totalling £5.0 million compared to net liabilities at the end of FY19 of £1.1 million. The acquisition of CloudCoCo Limited during FY20 and the Refinancing referred to in the Financial Review have returned the Group to a positive net assets position due to the issue of share capital of £7.2 million at completion and a refinancing of the loan notes of £1.3 million. The Group had an undrawn working capital facility at 30 September 2020 of £0.4m which formally matures in October 2021 but which the lender has confirmed that it will extend to March 2022.

The Group's progress towards its key objectives of increasing sales, reducing customer churn, reducing costs, and returning to net cash generation is described in the Chief Executive Officer's review. Despite significant uncertainty and disruption as a result of the pandemic, the Group reported an improvement in underlying profitability as measured by Group Trading EBITDA (2020: £0.3m; 2019: £(0.2)m) and generated cash from operating activities, excluding costs of acquiring CloudCoCo Limited, of £0.4m.

The key operational risk the Group faces is the general economic outlook including the continuing uncertainty caused by the pandemic. Although COVID-19 has not a material impact on the Group's ability to operate, it has resulted in delays in sales cycles for certain services and delays in project delivery as customers assess the impact of COVID-19 on their own businesses. The Group responded by taking action to conserve cash including temporary pay cuts, use of the Government's furlough and VAT deferral schemes and a COVID-19 Bounce Back Loan.

The Directors have reviewed the forecast sales growth, budgets and cash projections for the period to March 2022. The Directors have performed sensitivity analysis which reflects uncertainty in assumptions regarding growth in services and customer projects and considered that the Group expects to have sufficient cash resources provided that the MXCG working capital facility is made available beyond October 2021. At the request of the Directors, MXC has provided confirmation that it will provide continuing financial support including the extension of the existing facility until March 2022.

After reviewing the forecast sales growth, budgets and cash projections, including sensitivity analysis on the key assumptions such as the potential impact of COVID-19 on sales, for the next twelve months and beyond and after taking into account the assurance of ongoing support from a significant shareholder, which the Directors reasonably believe has sufficient resources to provide such support, the Directors have reasonable expectations that the Group and the Company have adequate resources to continue operations for the foreseeable future, being a period of at least one year from the date of approval of these financial statements. The Directors have not identified any material uncertainties that may cast doubt over the ability of the Group and Company to continue as a going concern and the Directors continue to adopt the going concern basis in preparing these financial statements.

1.2 New standards and interpretations of existing standards that have been adopted by the Group for the first time

During the year ended 30 September 2020 the Group adopted the following new financial reporting standards for the first time:

- Annual Improvements to IFRS Standards 2015-17
- Cycle amendments to IFRS 3 Business Combinations
- IAS 12 Income Taxes

- IAS 23 Borrowing Costs
- IFRS 11 Joint Arrangements
- IFRS 16 Leases

With the exception of IFRS 16 Leases, none of the new standards had a material impact on the Group.

IFRS 16 Leases has replaced IAS 17 Leases and the new standard became effective for periods commencing after 1 January 2019. The Group has adopted IFRS 16 Leases using the modified retrospective basis with recognition of a transitional adjustment as described below on the date of initial application being 1 October 2019 and therefore comparatives have not been restated.

IFRS 16 Leases introduces a single lessee accounting model where the Group now recognises a lease liability and a right of use asset for all leases, except for those with short lives. On adoption of IFRS 16 Leases the Group recognised a right of use asset in respect of the lease of office space at 7750 Daresbury Business Park, Warrington. As permitted under the practical expedients contained in the standard, no adjustment was made in respect of leases with a remaining term of less than 12 months. The right of use asset is then depreciated over the remaining term of the lease.

On adoption of IFRS16 the Group recognised a lease liability in relation to that office lease which had previously been classified as an operating lease under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments discounted using the Group's average incremental borrowing rate.

On the transfer to IFRS 16 adjustments were made to create a right of use asset of £148,000 and a lease liability of £148,000.

The adoption of IFRS 16 in the year to 30 September 2020 resulted in a reduction in operating expenses excluding depreciation of £68,000, and an increase in depreciation costs of £58,000 and an increase in interest in interest costs of £28,000.

There is no overall impact of cash flows or retained earnings from implementing IFRS 16, however trading EBITDA has improved by £68,000.

2. Principal accounting policies

a) Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 30 September each year. Control is achieved where the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with using the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the Consolidated Statement of Financial Position at their fair values, which are also used as the cost bases for subsequent measurement in accordance with the Group accounting policies.

Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition costs over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

b) Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

c) Revenue and revenue recognition

Revenue arises from the sale of goods and the rendering of services as it is performed and the performance obligations fulfilled. It is measured by reference to the fair value of consideration received or receivable, excluding valued added tax, rebates, trade discounts and other sales-related taxes.

The Group enters into sales transactions involving a range of the Group's products and services; for example, for the delivery of hardware, software, support services, managed services and professional services. At the inception of each contract the Group assesses the goods or services that have been promised to the customer. Goods or services can be classified as either i) distinct or ii) substantially the same, having the same pattern of transfer to the customer as part of a series. Using this analysis, the Company identifies the separately identifiable performance obligations over the term of the contract. A contract liability is recognised when billing occurs ahead of revenue recognition. A contract asset is recognised when the revenue recognition criteria were met but in accordance with the underlying contract the sales invoice had not been issued.

Goods and services are classified as distinct if the customer can benefit from the good or services on their own or in conjunction with other readily available resources. A series of goods or services, such as Recurring Services, would be an example of a performance obligation that is transferred to the customer consecutively over time. The Group applies the revenue recognition criteria set out below to each separately identifiable performance obligation of the sale transaction. The consideration received from multiple-component transactions is allocated to each separately identifiable performance obligation in proportion to its relative fair value.

Sale of goods (hardware and software)

Sale of goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer, generally when the customer has taken undisputed delivery of the goods. Revenue from the sale of software with no significant service obligation is recognised on delivery.

Rendering of services

The Group generates revenues from managed services, support services, maintenance, resale of telecommunications ("Recurring Services") and professional services. Consideration received for these services is initially deferred (when invoiced in advance), included in accruals and deferred income and recognised as revenue in the period when the service is performed and the performance obligation fulfilled, measured by reference to hourly rates.

In recognising Recurring Services revenues, the Group recognises revenue equally over the duration of the contractual term. Third-party costs (where relevant) relating to these services are, likewise, spread equally over the duration of the contractual term

d) Financial assets

All financial assets are initially recognised at fair value, plus transaction costs and subsequently measured at amortised cost.

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

The Group reviews the amount of credit loss associated with its trade receivables based on forward looking estimates, taking into account current and forecast credit conditions

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short-term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Derecognition of financial assets occurs when the rights to receive cash flows from the instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken, at least, at each reporting date.

Interest and other cash flows resulting from holding financial assets are recognised in the Consolidated Income Statement when receivable.

e) Financial liabilities

Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest-related charges are recognised as an expense in "finance costs" in the Consolidated Income Statement. Loan notes are raised for support of long-term funding of the Group's operations. The financial liability arising on the loan notes is carried at amortised cost. In the financial statements at 30 September 2019, loan notes were treated as a compound instrument as if the options granted to the lender represented an option to convert loan notes into equity.

Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the Consolidated Income Statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Modification of the terms of a liability is accounted for as an extinguishment of the original liability and recognition of a new liability when the modification is substantial. A modification is deemed to be substantial if the net present value of the cash flows under the modified terms, including any fees paid or received, is at least 10 per cent different from the net present value of the remaining cash flows of the liability prior to the modification, both discounted at the original effective interest rate of the liability prior to the modification

3. Segment reporting

The Chief Operating Decision Maker ("CODM") has been identified as the executive directors of the Company and its subsidiaries, who review the Group's internal reporting in order to assess performance and to allocate resources.

The CODM assess profit performance principally through adjusted profit measures consistent with those disclosed in the Annual Report and Accounts. The Board believes that the Group comprises a single reporting segment, being the provision of IT managed services to customers. Whilst the CODM reviews the revenue streams and related gross profits of three categories separately (Recurring Services, Product and Professional Services), the operating costs and operating asset base used to derive these revenue streams are the same for all three categories and are presented as such in the Group's internal reporting. Accordingly, the segmental analysis below is therefore shown at a revenue and gross profit level in line with the CODM's internal assessment based on the following reportable operating segments:

Recurring Services	-	This segment comprises the provision of continuing IT services which have an ongoing billing and support element.
Product	-	This segment comprises the resale of solutions (hardware and software) from leading technology vendors.
Professional Services	-	This segment comprises the provision of highly skilled resource to consult, design, install, configure and integrate IT technologies.

All revenues are derived from customers within the UK and no customer accounts for more than 10% of external revenues. Inter-segment transactions are accounted for using an arm's length commercial basis.

3.1 Analysis of continuing results

All revenues from continuing operations are derived from customers within the UK. This analysis is consistent with that used internally by the CODM and, in the opinion of the Board, reflects the nature of the revenue.

3.1.1 Revenue

	2020	2019
Recurring Services	**5,412**	5,153
Product	**1,839**	1,405
Professional Services	**719**	699
Total Revenue	**7,970**	7,257

3.1.2 Revenue

	2020	2019
Recognised at a point in time	**2,558**	2,104
Recognised over time	**5,412**	5,153
Total Revenue	**7,970**	7,257

4. Exceptional Items

Items which are material and non-routine in nature are presented as exceptional items in the Consolidated Income Statement.

	2020 **£'000**	2019 £'000
Costs relating to the acquisition of CloudCoCo Limited	**(435)**	—
Impairment of goodwill and intangible assets	**—**	(3,021)
Integration and restructure costs	**(105)**	(226)
Foreign exchange rate variances	**—**	(8)
Exceptional items	**(540)**	(3,255)

The Board has assessed the carrying value of the Group's goodwill and intangible assets and following an assessment of current budgets and forecasts for the Group, no impairment charge (FY19: £3.0m) has been made.

5. Operating loss

	2020 **£'000**	2019 £'000
Operating loss is stated after charging:		
Depreciation of owned assets	**36**	100
Depreciation of right of use assets	**77**	—
Short life lease expense	**50**	—
Operating lease rentals		
– Buildings	**—**	106
Amortisation of intangibles	**1,623**	907
Auditor's remuneration:		
– Audit of parent company	**20**	—
– Audit of subsidiary companies	**50**	—
Predecessor auditor's remuneration		
– Audit of parent company	**—**	22
– Audit of subsidiary companies	**—**	42
– Audit costs of relating to prior year	**25**	20
– Other audit-related assurance services	**6**	7
– Tax compliance services	**17**	10

6. Finance income and finance costs
Finance cost includes all interest-related income and expenses. The following amounts have been included in the Consolidated Income Statement line for the reporting periods presented:

	2020 £'000	2019 £'000
Interest income resulting from short-term bank deposits	**1**	3
Finance income	**1**	3
Interest expense resulting from:		
Lease liabilities	**27**	3
MXC rolling working capital facility	**9**	—
Loan note interest	**420**	400
Effective interest on liability element of the loan notes	**62**	199
Finance costs	**518**	602

Loan note interest includes £398,000 (FY19: £nil) which is accrued and is only payable when the loan notes are repaid in 2024 or earlier if the Group chooses.

7. Income tax

	2020 £'000	2019 £'000
Current tax		
UK corporation tax for the period at 19% (2019: 19%)	**—**	—
Deferred tax		
Deferred tax credit on intangible assets	**(288)**	(438)
Total tax credit for the year	**(288)**	(438)

The relationship between expected tax expense based on the standard rate of tax in the UK of 19% (2019: 19%) and the tax expense actually recognised in the Consolidated Income Statement can be reconciled as follows:

	2020 £'000	2019 £'000
Loss for the year before tax:	**(2,967)**	(5,588)
Tax rate	**19%**	19%
Expected tax credit	**(564)**	(1,062)
Adjusted for:		
Credits not chargeable to tax	**—**	—
Non-deductible expenses	**91**	641
Movement in unprovided deferred tax relating to losses	**191**	287
Change in tax rates	—	(13)
Short-term timing differences	**(6)**	(291)
	(288)	(438)

The Group has unrecognised deferred tax assets in respect of tax losses carried forward totalling £1,522,000 (2019: £1,290,000).

8. Loss per share

	2020 £'000	2019 £'000
Loss attributable to ordinary shareholders	**(2,679)**	(5,150)

	Number	Number
Weighted average number of Ordinary Shares in issue, basic and diluted	**478,427,400**	227,065,100
Basic and diluted loss per share	**(0.56)p**	(2.27)p

9. Financial instrument
On 26 May 2016, the Company issued £5m unsecured loan notes ("Loan Notes") to the Business Growth Fund ("BGF") with a seven-year term (although redemption was permissible from the third anniversary) with repayment between the fifth and seventh anniversaries in equal semi-annual repayments that carry interest at 8% per annum ("Coupon"). On the same date, the Company also agreed to grant the BGF an option to subscribe for 50,000,000 Ordinary Shares of 1p at a subscription price of 6p any time before 26 May 2031. As the Loan Notes were unsecured, no collateral was offered to the BGF as security. The Loan Notes were not exposed to market interest rate increases over the term.

In the opinion of the directors, the Loan Notes and share option elements were linked and were therefore treated as a single financial instrument. In accordance with IAS 32, the Loan Notes were recorded at a fair value of £3.6m which was measured using a discounted cash flow model over the seven-year term of the instrument and an effective interest rate of 15%.

The difference to the consideration received represented the element attributable to the options, which was credited to equity. The Loan Notes were subsequently measured at amortised cost whereby the difference between the face value of the Loan Notes and their fair value on initial recognition is recognised as an effective interest charge over the term of the instrument.

On 21 October 2019, the Company and BGF agreed to modify the exercise price of the share options and the options were immediately exercised. The directors consider this to be in consideration for the extinguishment of Loan Notes with a principal amount of £1.5m and accrued interest of £0.1m. In accordance with IAS 32, the carrying value of the Loan Notes that were extinguished, £1.3m, has been derecognised and recorded in equity; no gain or loss has been recognised in the Consolidated Income Statement.

On the same date, the remaining loan notes with a principal amount of £3.5m were acquired by a MXC Guernsey Limited, a subsidiary of MXC Capital Limited. The terms of the loan notes were revised by increasing the coupon to 12% per annum compound, rolled up and payable at maturity, and extending the term to October 2024. When measured using the loan notes' original effective interest rate, the present value of the cash flows of the revised instrument were not significantly different to that of the instrument prior to the modification. As a result, the Loan Notes were not treated as a new instrument and continue to be measured at amortised cost.

10. Acquisition of CloudCoCo Limited

On 21 October 2019, the Group acquired the entire issued share capital of CloudCoCo Limited for a total consideration of £7.2 million at fair value in accordance with IFRS 3. The consideration was satisfied in full by the issue of 218,160,586 new Ordinary Shares at 3.3p per share (being the mid-market price on the date of the acquisition). The Group has assessed the fair value of The acquisition of CloudCoCo Limited as follows:

	Book Cost £'000	Fair Value Adjustment £'000	Fair Value £'000
Non-current assets			
Intangible assets – brand	-	500	500
Intangible assets – customer lists	-	1,700	1,700
Right of use assets	51	-	51
Property, plant and equipment	3	-	3
Total non-current assets	54	2,200	2,254
Current assets			
Trade and other receivables	302	-	302
Cash at bank	157	-	157
Total current assets	459	-	459
Total assets	**513**	**2,200**	**2,713**
Current liabilities			
Lease liability	(63)	-	(63)
Trade and other payables	(133)	-	(133)
Other taxes and social security costs	(24)	-	(24)
Deferred Income and accruals	(213)	-	(213)
	(433)	-	**(433)**
Non-current liabilities			
Lease liability	(51)	-	(51)
Deferred tax liability	-	(418)	(418)
Total liabilities	**(484)**	**(418)**	**(902)**
Net Assets	**29**	**1,782**	**1,811**
Consideration in cash			-
Consideration in shares			7,199
Fair value of cost of acquisition			**7,199**
Goodwill			**5,388**

	2020 £'000
Cash consideration paid	-
Cash acquired	**157**
Acquisition of CloudCoCo Limited, net of cash	**157**

The goodwill arising on this acquisition is attributable to the management team and the sales and marketing systems and methods operated by CloudCoCo Limited, which will benefit the Group. Direct acquisition costs amounting to £435,000 have been written off to the income statement within exceptional items.

Subsidiary trading

It is not feasible to separate the performance of CloudCoCo Limited during the year. The business was subsumed into the Group's activities and its results are not separately reported. The results of the Group would not be materially different had the acquisition occurred on 1 October 2019.

These numbers exclude the amortisation charge associated with the intangible assets identified at acquisition.