9 June 2021

**CloudCoCo Group plc**

(“CloudCoCo”, “the Group” or “the Company”)

**Interim Results**

CloudCoCo (AIM: CLCO), a UK provider of IT and communications solutions to businesses and public sector organisations, announces its unaudited interim results for the six months ended 31 March 2021.

**Financial highlights**

- Revenue of £4.14m (H1 2020: £4.43m, H2 2020: £3.54m)
- Trading Group EBITDA[1] increased 435% to £364k (H1 2020: £68k, H2 2020: £193k)
- Pre-tax loss of £0.67m (H1 2020: loss of £1.57m, H2 2020: loss of £1.39m)
- Cash at bank of £0.57m at 31 March 2021 (H1 2020: £0.27m) and £0.4m undrawn working capital facility

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

**Operational highlights**

- Resilient response to the impact of Covid with some colleagues choosing to continue to work remotely
- Secured multi-year contract extensions with Vantage Motor Group and Baywater Healthcare, two of CloudCoCo's largest clients by revenue
- Maturation of cost actions linked to ‘get well’ phase now delivering annual savings
- ‘CoCo-One’ people initiative progressing well with introduction of performance-based share options scheme and the alignment of technical teams in Warrington and Leeds offices

**Post-period highlights**

- Continued demand for the Group’s services and growing pipeline
- Appointment of Nigel Redwood, former CEO of AIM-listed Nasstar PLC, as Strategic Consultant (a non-board position) in line with the Board’s decision to begin reviewing options to scale the business

**Board changes**

- As announced earlier today, Darron Giddens, Group Finance Director, replaces Mike Lacey as Chief Financial Officer and member of the Board

**Mark Halpin, CEO of CloudCoCo, commented:**

*"I am proud to report another period of significant progress for the Group, with execution against all of our company objectives and continued growth in our profitability, with Trading EBITDA in the first half up 435% year on year on the prior period. We have delivered a resilient performance in the period, with notable revenue and total contract value increases on the second half of 2020, despite the continued impact of Covid on the trading environment.*

*"The business is in good health, both operationally and in the pipeline of opportunities ahead of us. There will continue to be challenges to overcome, but we will meet them head on and remain confident of making further progress in the second half and beyond.*

*"Progress through the next phase in our development will be bolstered by the post-period hire of Nigel Redwood as Strategic Consultant. Nigel has a track record of accelerating growth – particularly in the listed IT managed services space – and recognises the importance of fostering a strong company ethos and culture. I have no doubt his counsel will prove invaluable as we deliver our organic growth initiatives and begin to explore the possibility of M&A."*

**Contacts**


| | |
|---|---|
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**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 connectivity, telephony, cyber security, cloud, IT hardware and support needs.

CloudCoCo has offices in Warrington and Leeds in the UK.

www.cloudcoco.co.uk

## CHIEF EXECUTIVE'S REVIEW

### Introduction

The first half of FY21 was another period of continued profit growth, with the Group delivering further incremental operational improvements and a strong financial performance particularly considering H1 2020 comparators substantially pre-date the onset of the Covid pandemic. Trading EBITDA increased 435% to £364k (H1 2020: £68k, H2 2020: £193k), with Group revenues and total contract value growing versus the second half of 2020 despite the continued effects of the pandemic on our end markets.

Now, with our platform and the right foundations in place for future growth, we move forward with a focus on further optimisation and new business development.

### Progress against strategy

At the end of FY20, we outlined the proposed evolution of our strategy for FY21, 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 for the current financial year are to:

1. Accelerate sales
2. Maintain excellent support levels
3. Maintain cost vigilance
4. Improve cash position

In order to simplify our reporting, we have taken the decision to condense our reporting segments into two new categories – Managed IT Services and Value Added Resale.

| | **6 months to 31 March 2021 £'000** | 6 months to 30 September 2020 £'000 | 6 months to 31 March 2020 £'000 | Year to 30 September 2020 £'000 |
|---|---|---|---|---|
| **By operating segment** | | | | |
| Managed IT Services | **2,910** | 2,909 | 3,222 | 6,131 |
| Valued Added Resale | **1,234** | 631 | 1,208 | 1,839 |
| Total revenue | **4,144** | 3,540 | 4,430 | 7,970 |

We continued to see prospective customers exercise caution in committing to long-term investments in the period, but nonetheless secured a number of important long-term contracts and our pipeline remains healthy.

In Managed IT Services, Vantage Motor Group and Baywater Healthcare, two of our largest customers by deal value, renewed their contracts with us on a multi-year basis. We also re-signed a UK university on a long-term deal and, testament to our leading capability in Microsoft and telephony, secured a large professional services order with a major UK educational institution to migrate 70,000 users from Skype to Teams while integrating the customer's existing PBX telephone system.

In Value Added Resale, demand for our collaboration and cyber security solutions remained strong, in line with the rise in remote working and the need to do so safely and securely. Contract wins of note include helping a leading law firm and a major English council successfully transition to home working through the delivery of our IT hardware and telephony solutions. boohoo, who we won as a new customer in FY20, continued to grow the breadth and depth of the services they take from us.

We launched our new website at the start of the current financial year and have continued to enrich it with informative content and regular tech-tip videos while ramping up our social media output. Pleasingly, traffic to the website in March 2021 was up 42% versus October 2020 and LinkedIn followers grew 11% in the same period.

During the period, we continued to strengthen our relationships and accreditations within our diverse ecosystem of blue-chip technology vendor partners, a key competitive advantage for the Group. In January 2021, Lenovo awarded us 'Gold' status in its national partner programme.

To improve efficiency, knowledge sharing and ultimately deliver faster and better projects across the Group, we combined our technical teams in our Warrington and Leeds offices. We continued to deliver excellent levels of customer services in the period, reflected in our consistently high customer satisfaction scores.

We are pleased to report material overhead savings versus the first half of the previous financial year. Through these reductions, these costs are now more closely aligned with the size of the business. Management continues to take steps to make the business as efficient as possible from a cost perspective.

The Group continues to improve its cash position. As at 31 March 2021, the Group's cash at bank had increased £0.30m year-on-year to £0.57m (H1 2020: £0.27m), maintaining an £0.4m undrawn working capital facility.

**Our people**

We recognise that our people are the foundation of our success, and we are continually looking at new and innovative ways we can reward good performance and make CloudCoCo a great place to work. Our colleagues have again demonstrated exceptional dedication and resolve in testing circumstances and I would like to personally thank them all for their contribution.

In November, we introduced CoCo-One, a comprehensive initiative comprising a number of projects designed to empower our colleagues, bring them closer together and generally enhance their experience as CloudCoCo team members. As part of this initiative, all qualifying colleagues were granted performance-based share options designed to enable them to share in the success of the business and align their incentivisation with the interests of shareholders. Through CoCo-One, we now have processes in place to ensure the development, implementation and evaluation of our people strategy continues in a structured and organised way.

Post-period, we appointed Nigel Redwood as Strategic Consultant, a non-board position. Nigel has over 20 years' experience working with private equity-backed and public businesses, including six years as CEO of AIM-listed IT managed services company Nasstar plc. At Nasstar, Nigel took the business from being loss making on turnover of £2.5m to making an EBITDA profit of £6.4m on turnover of £26.1m, driven by the acquisition of four businesses and a focus on instilling strong and consistent team values through the integration process. Working alongside senior management, Nigel will help support CloudCoCo's growth through regular consultation across the Group's organic growth initiatives and people strategies, as well as in the appraisal of possible acquisitions targets.

As per the Board Changes announcement released earlier today, Darron Giddens will replace Mike Lacey as CFO and member of the Board with immediate effect.

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

**Current trading and outlook**

Post-period, we continue to see demand for our services and further progress in developing our partnership ecosystem, with CloudCoCo becoming one of the few UK partners to be listed on the AWS (Amazon Web Services) Marketplace for Dynamic Cloud Security solutions; Mitel awarding the Group 'Gold' partner status; and THG Hosting, The Hut Group's web hosting business, announcing CloudCoCo as a UK partner.

With an increasing pipeline of opportunities despite the ongoing impact of Covid, we remain confident in our prospects for the second half, facilitated by the easing of restrictions. I am pleased to report that the Board is currently looking at ways to scale the business. While our strategy is predicated on growing the business organically, we are also giving consideration to growing by acquisition.

Since the completion of the acquisition of CloudCoCo Limited in October 2019, we have made advances in positioning the business for sustainable and profitable growth, and I look forward to progressing in a similar vein in the months and years ahead as we strive to deliver long-term value for shareholders.

# Consolidated income statement

for the six-month period ended 31 March 2021

| | Note | **Unaudited 6 months to 31 March 2021 £'000** | Unaudited 6 months to 30 September 2020 £'000 | Unaudited 6 Months to 31 March 2020 £'000 | Audited Year to 30 September 2020 £'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Revenue** | 3 | **4,144** | 3,540 | 4,430 | 7,970 |
| Cost of sales | | **(2,499)** | (2,041) | (2,513) | (4,554) |
| **Gross profit** | | **1,645** | 1,499 | 1,917 | 3,416 |
| Other income | | **46** | 97 | — | 97 |
| Administrative expenses | | **(2,081)** | (2,698) | (3,265) | (5,963) |
| **Trading Group EBITDA [1] – non statutory measure** | | **364** | 193 | 68 | 261 |
| Amortisation of intangible assets | | **(495)** | (824) | (799) | (1,623) |
| Plc costs | | **(222)** | (227) | (234) | (461) |
| Depreciation | | **(47)** | (85) | (28) | (113) |
| Exceptional items | 4 | **(41)** | (159) | (381) | (540) |
| Share-based payments | | **51** | — | 26 | 26 |
| **Operating loss** | | **(390)** | (1,102) | (1,348) | (2,450) |
| Interest receivable | | **—** | — | 1 | 1 |
| Interest payable | | **(279)** | (291) | (227) | (518) |
| **Net finance expense** | | **(279)** | (291) | (226) | (517) |
| **Loss before taxation** | | **(669)** | (1,393) | (1,574) | (2,967) |
| Taxation | | **94** | 138 | 150 | 288 |
| **Loss and total comprehensive loss for the period attributable to owners of the parent** | | **(575)** | (1,255) | (1,424) | (2,679) |
| **Loss per share** | | | | | |
| Basic and fully diluted | 5 | **(0.12)p** | (0.25)p | (0.31)p | (0.56)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 31 March 2021

| | Note | **Unaudited 31 March 2021 £'000** | Unaudited 31 March 2020 £'000 | Audited 30 September 2020 £'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | 6 | **9,864** | 11,540 | 10,359 |
| Property, plant and equipment | | **159** | 52 | 221 |
| Total non-current assets | | **10,023** | 11,592 | 10,580 |
| **Current assets** | | | | |
| Inventories | | **75** | 52 | 31 |
| Trade and other receivables | 7 | **2,148** | 2,454 | 1,856 |
| Cash and cash equivalents | | **575** | 274 | 588 |
| Total current assets | | **2,798** | 2,780 | 2,475 |
| **Total assets** | | **12,821** | 14,372 | 13,055 |
| **Current liabilities** | | | | |
| Trade and other payables | 8 | **(2,482)** | (2,262) | (2,465) |
| Contract liabilities | | **(969)** | **(707)** | (565) |
| Borrowings | 9 | **(109)** | — | (104) |
| Lease liability | | **(78)** | (95) | (122) |
| Total current liabilities | | **(3,638)** | (3,064) | (3,256) |
| **Non-current liabilities** | | | | |
| Contract liabilities | | **(235)** | (332) | (364) |
| Borrowings | 9 | **(3,719)** | (3,251) | (3,458) |
| Lease liability | | **(33)** | (137) | (61) |
| Deferred tax liability | | **(846)** | (1,357) | (940) |
| Total non-current liabilities | | **(4,833)** | (5,077) | (4,823) |
| **Total liabilities** | | **(8,471)** | (8,141) | (8,079) |
| **Net assets** | | **4,350** | 6,231 | 4,976 |
| **Equity** | | | | |
| Share capital | | **4,952** | 4,952 | 4,952 |
| Share premium account | | **17,630** | 17,630 | 17,630 |
| Capital redemption reserve | | **6,489** | 6,489 | 6,489 |
| Merger reserve | | **1,997** | 1,997 | 1,997 |
| Other reserve | | **71** | 122 | 122 |
| Retained earnings | | **(26,789)** | (24,959) | (26,214) |
| **Total equity** | | **4,350** | 6,231 | 4,976 |

# Consolidated statement of changes in equity

for the six-month period ended 31 March 2021

| | 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 | — | — | — | — | — | (1,424) | (1,424) |
| **Transactions with owners** | | | | | | | |
| Extinguishment of BGF Loan Notes in consideration for issue of 50,000,000 shares at 0.35p per share | 500 | 1,275 | — | — | (1,330) | 1,148 | 1,593 |
| Issue of 218,160,586 shares to CloudCoCo vendors at 3.3p per share | 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) | (34) | 7,342 |
| **Equity at 31 March 2020** | **4,952** | **17,630** | **6,489** | **1,997** | **122** | **(24,959)** | **6,231** |

| | Share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Merger reserve £'000 | Other reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **At 1 April 2020** | **4,952** | **17,630** | **6,489** | **1,997** | **122** | **(24,959)** | **6,231** |
| Loss and total comprehensive loss for the period | — | — | — | — | — | (1,255) | (1,255) |
| **Equity at 30 September 2020** | **4,952** | **17,630** | **6,489** | **1,997** | **122** | **(26,214)** | **4,976** |

| | Share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Merger reserve £'000 | Other reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **At 1 October 2020** | **4,952** | **17,630** | **6,489** | **1,997** | **122** | **(26,214)** | **4,976** |
| Loss and total comprehensive loss for the period | — | — | — | — | — | (575) | (575) |
| Share-based payments | — | — | — | — | (51) | — | (51) |
| Total movements | — | — | — | — | (51) | (575) | (626) |
| **Equity at 31 March 2021** | **4,952** | **17,630** | **6,489** | **1,997** | **71** | **(26,789)** | **4,350** |

# Consolidated statement of cash flows

for the six month period ended 31 March 2021

| | **Unaudited 6 months to 31 March 2021 £'000** | Unaudited 6 months to 30 September 2020 £'000 | Unaudited 6 months to 31 March 2020 £'000 | Audited Year to 30 September 2020 £'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Loss before taxation | **(669)** | (1,393) | (1,574) | (2,967) |
| Adjustments for: | | | | |
| Depreciation – owned assets | **17** | 8 | 28 | 36 |
| Depreciation – right of use assets | **30** | 77 | — | 77 |
| Amortisation | **495** | 824 | 799 | 1,623 |
| Share-based payments | **(51)** | — | (26) | (26) |
| Net finance expense | **279** | 291 | 226 | 517 |
| Costs relating to acquisition of CloudCoCo Limited | **—** | 89 | 346 | 435 |
| (Increase) / decrease in trade and other receivables | **(292)** | 502 | (567) | (65) |
| (Increase) / decrease in inventories | **(44)** | 21 | (20) | 1 |
| Increase in trade payables, accruals and deferred income | **318** | 110 | 756 | 866 |
| **Net cash from / (used in) operating activities before acquisition costs** | **83** | 529 | (32) | 497 |
| Costs relating to acquisition of CloudCoCo Limited | **—** | (89) | (346) | (435) |
| **Net cash from / (used in) operating activities** | **83** | 440 | (378) | 62 |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | **(17)** | (22) | (15) | (37) |
| Acquisition of CloudCoCo Limited, net of cash acquired | **—** | — | 157 | 157 |
| Interest received | **—** | — | 1 | 1 |
| Net (used in) / from investing activities | **(17)** | (22) | 143 | 121 |
| **Cash flows from financing activities** | | | | |
| Proceeds from exercise of BGF share options | **—** | — | 175 | 175 |
| Receipt of loan funds from MXCG | **—** | — | 100 | 100 |
| Receipt of loan funds from COVID-19 Bounce Back Loan | **—** | 50 | — | 50 |
| Payment of lease liabilities | **(72)** | (134) | (49) | (183) |
| Interest paid | **(7)** | (20) | (28) | (48) |
| Net cash (used in)/ from financing activities | **(79)** | (104) | 198 | 94 |
| **Net (decrease) / increase in cash** | **(13)** | 314 | (37) | 277 |
| Cash at bank and in hand at beginning of period | **588** | 274 | 311 | 311 |
| **Cash at bank and in hand at end of period** | **575** | 588 | 274 | 588 |
| Comprising: | | | | |
| Cash at bank and in hand | **575** | 588 | 274 | 588 |

# Notes to the consolidated interim financial statements

**1. General information**
CloudCoCo Group plc (the "Group") is a public limited company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is 5 Fleet Place, London, EC4M 7RD.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.

**2. Basis of Preparation**

***2.1 Accounting Policies***
The accounting policies used in the presentation of the unaudited consolidated interim financial statements for the six months ended 31 March 2021 are in accordance with applicable International Financial Reporting Standards (IFRSs) as applied in accordance with provisions of the Companies Act 2006. The principal accounting policies of the Group have been consistently applied to all periods presented unless otherwise stated.

***2.2 Going concern***
The Directors have prepared the financial statements on a going concern basis which assumes that the Group will continue to meet liabilities as they fall due.

The Directors have reviewed the forecast sales growth, budgets and cash projections for the period to June 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 MXC Guernsey Limited ("MXCG"), a subsidiary of MXC Capital Limited ("MXC"), 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. In addition, the Directors have reasonable expectations that working capital could be raised from other sources including invoice finance arrangements should it be required.

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 has adequate resources to continue operations for the foreseeable future, being a period of at least one year from the date of approval of these unaudited interim financial statements. The Directors have not identified any material uncertainties that may cast doubt over the ability of the Group to continue as a going concern and the Directors continue to adopt the going concern basis in preparing these unaudited interim financial statements.

**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.

In order to simplify our reporting, the CODM has taken the decision to condense our reporting segments into two new categories – Managed IT Services and Value Added Resale.

- Managed IT Services – this segment provides all forms of managed services to customers and includes professional services.
- Value Added Resale – this segment provides all forms of product and licence sales procured from supplier partners.

All segments are continuing operations and there are no transactions between segments.

| | **Unaudited 6 months to 31 March 2021 £'000** | Unaudited 6 months to 30 September 2020 £'000 | Unaudited 6 months to 31 March 2020 £'000 | Audited Year to 30 September 2020 £'000 |
|---|---|---|---|---|
| **By operating segment** | | | | |
| Managed IT Services | **2,910** | 2,909 | 3,222 | 6,131 |
| Valued Added Resale | **1,234** | 631 | 1,208 | 1,839 |
| Total revenue | **4,144** | 3,540 | 4,430 | 7,970 |

**4. Exceptional Items**

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

| | **Unaudited 6 months to 31 March 2021 £'000** | Unaudited 6 months to 30 September 2020 £'000 | Unaudited 6 months to 31 March 2020 £'000 | Audited Year to 30 September 2020 £'000 |
|---|---|---|---|---|
| Costs relating to the acquisition of CloudCoCo Limited | — | (89) | (346) | (435) |
| Integration and restructure costs | **(41)** | (70) | (35) | (105) |
| Exceptional items | **(41)** | (159) | (381) | (540) |

**5. Loss per share**

| | **Unaudited 6 months to 31 March 2021 £'000** | Unaudited 6 months to 30 September 2020 £'000 | Unaudited 6 months to 31 March 2020 £'000 | Audited Year to 30 September 2020 £'000 |
|---|---|---|---|---|
| Loss attributable to ordinary shareholders | **(575)** | (1,255) | (1,424) | (2,679) |
| | **Number** | Number | Number | Number |
| Weighted average number of Ordinary Shares in issue, basic and diluted | **495,225,986** | 495,225,986 | 461,720,917 | 478,427,400 |
| Basic and diluted loss per share | **(0.12)p** | (0.25)p | (0.31)p | (0.56)p |

**6. Intangible assets**

Intangible assets are non-physical assets which have been obtained as part of an acquisition or research and development activities, such as innovations, introduction and improvement of products and procedures to improve existing or new products. All intangible assets have an identifiable future economic benefit to the Group at the point the costs are incurred. The amortisation expense is recorded in administrative expenses in the Consolidated Income Statement

| Intangible assets | Goodwill £'000 | IT, billing and website systems £'000 | Brand £'000 | Customer lists £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 October 2019 | 4,447 | 182 | 1,157 | 7,580 | 13,366 |
| Additions – acquisition of CloudCoCo Limited | 3,845 | — | 700 | 3,400 | 7,945 |
| At 31 March 2020 | 8,292 | 182 | 1,857 | 10,980 | 21,311 |
| Additions – acquisition of CloudCoCo Limited | 1,543 | — | (200) | (1,700) | (357) |
| At 30 September 2020 | 9,835 | 182 | 1,657 | 9,280 | 20,954 |
| Additions | — | — | — | — | — |
| **At 31 March 2021** | **9,835** | **182** | **1,657** | **9,280** | **20,954** |
| | | | | | |
| **Accumulated amortisation** | | | | | |
| At 1 October 2019 | — | (47) | (380) | (2,680) | (3,107) |
| Charge for the period | (249) | (9) | (81) | (460) | (799) |
| At 31 March 2020 | (249) | (56) | (461) | (3,140) | (3,906) |
| Charge for the period | 249 | (102) | (517) | (454) | (824) |
| At 30 September 2020 | — | (158) | (978) | (3,594) | (4,730) |
| Charge for the period | — | (6) | (25) | (464) | (495) |
| **At 31 March 2021** | **—** | **(164)** | **(1,003)** | **(4,058)** | **(5,225)** |
| | | | | | |
| **Impairment** | | | | | |
| At 1 October 2019 | (4,447) | — | (225) | (1,193) | (5,865) |
| Charge for the period | — | — | — | — | — |
| At 31 March 2020 | (4,447) | — | (225) | (1,193) | (5,865) |
| Charge for the period | — | — | — | — | — |
| At 30 September 2020 | (4,447) | — | (225) | (1,193) | (5,865) |
| Charge for the period | — | — | — | — | — |
| **At 31 March 2021** | **(4,447)** | **—** | **(225)** | **(1,193)** | **(5,865)** |
| | | | | | |
| **Carrying amount** | | | | | |
| **At 31 March 2021** | **5,388** | **18** | **429** | **4,029** | **9,864** |
| At 30 September 2020 | 5,388 | 24 | 454 | 4,493 | 10,359 |
| At 31 March 2020 | 3,596 | 126 | 1,171 | 6,647 | 11,540 |

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows - cash generating units ("CGU"). The Group operates as a single business and there is a single CGU. For each reporting period , management compares the resulting cash flow projections using a value in use approach to assess the recoverable amount of the CGU to the carrying value of goodwill. Any material variance in this calculation results in an impairment charge to the Consolidated Income Statement.

The calculations used to compute cash flows for the CGU level are based on the Group's budget, growth rates, weighted average cost of capital ("WACC") and other known variables. The calculations are sensitive to movements in both WACC and the revenue growth projections. The current effective unsecured pre-tax borrowing rate is calculated at 12% per annum (FY20:12%) and the revenue growth rate is 5% per annum (FY20: 5%) for 5 years and a terminal growth rate of 2% (FY20: 2%) per annum. Sensitivities have been run on cash flow forecasts for the CGU. Management is satisfied that the key assumptions of revenue and EBITDA growth rates should be achievable and that reasonably possible changes to those key assumptions would not lead to the carrying amount exceeding the recoverable amount. Sensitivity analyses have been performed and the table below summarises the effects of changing certain key assumptions and the resultant excess (or shortfall) of discounted cash flows against the aggregate of goodwill and intangible assets.

**Sensitivity analysis**

| | CloudCoCo Group plc £'000 |
|---|---|
| **Excess of recoverable amount over carrying value:** | |
| Base case – headroom | **4,169** |
| Discount rate increased by 1% - resulting headroom | 1,156 |
| Revenues growth rate reduced by 1% per annum – resulting headroom | 1,166 |

Base case calculations highlight that the impairment review is sensitive to the discount rate and growth rate. Given the Group's value proposition is centred around generating monthly recurring fees for IT and communication solutions, the Directors are satisfied that the Group's objectives are to maximise the cash flows generated through the sales of Recurring Services.

In determining whether intangible assets including goodwill were impaired, the Directors estimated the discounted future cash flows associated with the intangible assets over a ten-year period, using a discount rate equivalent to the WACC. The Directors also considered the impact of the customer notices of termination received and the improvement in Trading EBITDA during the year as indicators that there is no impairment of intangible assets.

## 7. Trade and other receivables

| | **Unaudited 31 March 2021 £'000** | Unaudited 31 March 2020 £'000 | Audited 30 September 2020 £'000 |
|---|---|---|---|
| Trade receivables | **1,041** | 1,339 | 985 |
| Other Debtors | **13** | 13 | 6 |
| Contract assets | **202** | 269 | 101 |
| Prepayments | **892** | 833 | 764 |
| Trade and other receivables | **2,148** | 2,454 | 1,856 |

## 8. Trade and other payables

| | **Unaudited 31 March 2021 £'000** | Unaudited 31 March 2020 £'000 | Audited 30 September 2020 £'000 |
|---|---|---|---|
| Trade payables | **1,551** | 1,541 | 1,388 |
| Accruals | **407** | 333 | 460 |
| Other taxes and social security costs | **524** | 388 | 617 |
| | **2,482** | 2,262 | 2,465 |

## 9. Borrowings

### *9.1 Current*

| | **Unaudited 31 March 2021 £'000** | Unaudited 31 March 2020 £'000 | Audited 30 September 2020 £'000 |
|---|---|---|---|
| COVID-19 Bounce-back loan repayable – short-term element | **9** | — | 4 |
| MXC Guernsey Limited working capital facility | **100** | — | 100 |
| | **109** | — | 104 |

MXCG provide a £0.5 million working capital facility of which £0.1 million had been drawn down at 31 March 2021. There are no set repayment terms but interest is payable at 12% per annum on drawn down amounts. This facility is set to expire in October 2021 but MXCG has confirmed it will extend to March 2022.

***9.2 Non-current***

| | **Unaudited 31 March 2021 £'000** | Unaudited 31 March 2020 £'000 | Audited 30 September 2020 £'000 |
|---|---|---|---|
| Loan notes | **3,045** | 2,983 | 3,014 |
| Accrued interest on loan notes repayable in October 2024 | **633** | 268 | 398 |
| Loan notes | **3,678** | 3,251 | 3,412 |
| COVID-19 Business Bounce-back loan repayable – long-term element | **41** | - | 46 |
| | **3,719** | 3,251 | 3,458 |

On 10 May 2020, the Company borrowed £50,000 from HSBC Bank UK Plc, under the COVID-19 Business Bounce-back loan scheme. In accordance with the UK Government's Business Interruption Payment scheme, the interest on the loan for the first 12 months is covered by the UK Government and the Company will repay the loan in 59 equal monthly instalments, commencing June 2021.

END