28 June 2022

**CloudCoCo Group plc**

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

**Interim Results**

*Record sales performance and significant strategic progress*

CloudCoCo (AIM: CLCO), a leading UK provider of managed IT services and communications solutions to private and public sector organisations, announces its unaudited interim results for the six months ended 31 March 2022.

**Financial highlights**

- Revenue increased 183% to £11.6m (H1 2021: £4.1m), of which 70% was generated from recurring contracts
- Gross Profit increased by 119% to £3.5m (H1 2021: 1.6m), a margin of 30%
- Trading Group EBITDA[1] of £426k before expected transitional losses from the acquired IDE Group Connect Limited of £124k resulting in a net Trading Group EBITDA[1] of £302k (H1 2021: £364k)
- Corrective measures implemented in IDE Group Connect Limited, acquired in October 2021 with annual losses of £0.8m, now performing at monthly breakeven by March 2022
- Cash of £1.3m at 31 March 2022 (H1 2021: £0.6m) and undrawn £0.5m working capital facility

[1] Profit or loss before net finance costs, tax, depreciation, amortisation, plc costs, exceptional items and share-based payments.

**Operational highlights**

- Record sales performance for the Group delivered Total Contract Value of £9.7m (H1 2021: £2.9m) largely as a result of the enhanced service propositions, improvements in inbound marketing leads and the wider sales and technical delivery capabilities in the now more mature business
- Increased multi-year new customer wins including Wall Street Docs, Healthcare Quality Improvement Partnership and The ID Register (Services) Limited
- Successful integration of four newly acquired businesses adding data centre locations, private managed network services and e-commerce capabilities to the business
- 'Get Well' actions in acquired businesses in H1 2022 expected to deliver benefits in H2 2022
- Appointment of Mike Chester as Group Operations Director (a non-board position) in February 2022 to ensure high levels of customer service across 900+ customers

- Appointment of a Head of People (a non-board position) to ensure the right people systems and practices are in place to support growth and to promote our collaborative, inclusive and high-performance culture.

**Post-period highlights**

- Continued to sign significant multi-year contracts including with St John Ambulance and Abbott Laboratories

- MoreComputers rebranded to MoreCoCo and consumer and B2B ecommerce website launched

- CloudCoCo Sales Academy launched to cultivate homegrown talent and support revenue growth

- Ecommerce website for existing customers, using the MoreComputers UX, due to launch in the second half

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

*"To have made this level of strategic and commercial progress in such a short space of time, including most notably the successful correction of the acquired Connect business to monthly breakeven ahead of schedule, is a significant achievement and testament to the quality and teamwork of our people.*

*The integration and optimisation of our four acquisitions is now largely complete, and with that we are moving through the second half in a strong position, with all parts of the Group pulling in the same direction and on an exciting trajectory. We are now a very different proposition to a year ago, with an expanded customer base; increased capability; significantly larger sales, support and technical teams; a focus on cross-selling; and several forward-thinking strategic initiatives that are already delivering.*

*With the marked headway that has been made, we expect to see additional growth in trading performance in the second half as our pipeline of larger multi-year deals is continuing to grow. There is still work to be done to enable the Group to reach its full potential and the macro-economic environment remains unpredictable, but with the hard work that has taken place in the first half to lay the foundations for sustainable and profitable growth in the future, we are confident of continued progress in the second half and moving into FY23."*

**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 private 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, Leeds, Bournemouth and Sheffield in the UK.

www.cloudcoco.co.uk

## CHIEF EXECUTIVE'S REVIEW

### Introduction

The first half of the year has been very encouraging from both a strategic and a commercial perspective.

The Group is now a very different proposition to a year ago, in terms of scale, customer base, capability and prospects, and we are optimistic about what we can achieve. The original business is now in excellent condition, there are encouraging signs that we are successfully unlocking the value in the new additions, and we have effectively doubled the size of our sales, support and technical functions while bringing on board a new Group Operations Director to ensure the Group works together as a cohesive unit, providing exceptional service at every touchpoint.

All Group companies are now using a shared enterprise resource planning platform ("ERP") incorporating ticket management; customer relationship management ("CRM"); monitoring; and billing, making cross-division collaboration straightforward and opening a range of new revenue opportunities across our customer base. This has been a significant undertaking and will leave us well-positioned for many years to come.

We are now moving through the second half of the year as a single, cohesive unit with firm foundations for future growth and a solid multi-channel sales strategy. I am excited about our near and longer-term prospects.

### Results

Revenues for the first half only included a five-month contribution from the acquired IDE Group Connect Limited ("Connect") and Nimoveri Limited ("Nimoveri") businesses, and yet at £11.6 million and generating £3.6 million of gross profit still comfortably surpassed the full year numbers for 2021.

Ecommerce sales in the first half were £0.9 million, a new revenue stream for the Group stemming from the September 2021 acquisition of MoreComputers, rebranded to MoreCoCo post-period.

Cash increased by £0.1 million in the first half to £1.3 million as at 31 March 2022, including £0.5 million acquired with the Connect and Nimoveri businesses, funding £0.3 million of exceptional costs in the period.

Debtor balances were higher at period end as a result of the acquisitions and also because of some customers with multi-year contracts paying invoices post-year end and several projects awaiting settlement of milestone payments, but these are expected to normalise through the second half.

### Analysis of Revenues by operating segment

| | **Unaudited 6 months to 31 March 2022 £'000** | Unaudited 6 months to 30 September 2021 £'000 | Unaudited 6 months to 31 March 2021 £'000 | Audited Year to 30 September 2021 £'000 |
|---|---|---|---|---|
| **By operating segment** | | | | |
| Managed IT Services | **8,582** | 2,738 | 2,910 | 5,648 |
| Valued Added Resale | **3,062** | 1,225 | 1,234 | 2,459 |
| Total revenue | **11,644** | 3,963 | 4,144 | 8,107 |

Recurring revenues included within the Managed IT Services segment to March 2022 equate to £8.2 million (H1 2021: £2.5 million) reflecting the high percentage of recurring multi-year contracted services in the organic growth and in the Connect customer base. Growth in Value Added Resale has been boosted by the September 2021 acquisition of Systems Assurance and the addition of the e-commerce hardware platform in MoreCoCo.

**Progress against strategy**

We have a clear strategy to become a large Managed Services provider with turnover a multiple of what it is today and growing in a sustainable and profitable way. This is based on driving organic growth, exploring opportunities to expand through acquisition, and ensuring the entire Group works together in an increasingly joined up and efficient way. All while constantly striving to delight customers through delivering impeccable service.

Since my appointment, the focus has been on turning around the legacy business we inherited and building a platform that was ready for and would benefit from expansion through M&A. In the six months under review, we have been working hard to integrate and optimise the acquisitions we have made, and having done so successfully can now look ahead without any drags on the business and a wealth of exciting opportunities to drive growth.

<u>Acquisitions and integration</u>

Having acquired four complementary businesses in the latter months of 2021 to help us realise our growth ambitions, our teams have been working hard to integrate them.

One of the key milestones in the half was getting CloudCoCo Group Connect Limited ("the Connect business"), acquired as IDE Group Connect Limited, to monthly breakeven from delivering £800k of losses per annum through executing a plan known internally as "Project 150", a strategy to generate £150k per month of additional benefit from sales and cost savings. This was a collaborative effort from everyone involved where all ideas were welcome and I'm delighted with the outcome.

In addition to the recurring monthly savings generated from Project 150, the painstaking task of matching supplier costs with individual customer revenue streams also identified further benefit to us, in the form of over £300k of one-off backdated supplier credit notes relating to overcharges. In accordance with International Accounting Standards, whilst pre-acquisition supplier credit notes cannot be treated as trading income in the period, they aid cashflow and reduce the acquired net liabilities in the Connect business (see note 10). This level of detail and diligence has helped us turn the Connect business around inside six months of the acquisition.

Now, with the ship steadied ahead of schedule, we can focus on selling more from across the Group into the substantial number of high-quality customers that came across with the acquisition. We are already seeing meaningful cross-selling success and expect this trend to gather steam in the second half.

There is still important work to be done but to get Connect to this stage after just a few months is a significant achievement and we look forward to driving sustainable, increasingly profitable growth in this part of the Group in the second half of the year and beyond. It is testament to the quality of our teams that we were able to see the potential Connect had and, taking a similar approach to the one we took with the Adept business, successfully completed the first phase of the turnaround.

Elsewhere, following the acquisition of value-added reseller ("VAR") MoreComputers in September 2021, the Group has been working on a rebrand to MoreCoCo. MoreCoCo comprises a consumer-facing website, boasting a wide range of consumer and personal electronics, and a dedicated alternative website for businesses, which were both launched post-period in June 2022.

As part of the process, we completed a significant overhaul and optimisation of the original website, which included a new look and feel. With the improvements to MoreCoCo's functionality and user experience, and leveraging CloudCoCo's customer service and marketing functions, the Group expects to see traffic gradually increase, with the sites in time becoming an important revenue stream for the Group and a key means of new customer acquisition, expansion and upselling. Investors can visit the relaunched website at https://www.morecoco.co.uk/.

Encouragingly, the 'Get Well' actions in the acquired businesses undertaken in the first half are expected to deliver additional benefits in the second half.

With the integration process of the four acquisitions now largely complete, we move forward with a proven blueprint for expanding the business through adding complementary businesses, and continue to proactively appraise new opportunities to continue in the same vein.

Accelerate sales

The decision to focus on building our pipeline of new business while ramping up cross-selling into our significantly enlarged customer base post-acquisition is now bearing fruit, with Revenues of £11.6m, up 183% on the corresponding period last year (H1 2021: £4.1m). At £9.7m (H1 2021: £2.9m), total contract value ("TCV") in the period was at a record level, with demand for the Group's services increasing with the normalisation of trading conditions following Covid-19. TCV measures the total revenue that we expect to generate from new customer contracts signed in the year over their contractual term.

The increased capabilities and scale that the newly acquired businesses provide are already enabling us to compete for and win larger contracts, as evidenced by the new multi-year agreements with Wall Street Docs, Healthcare Quality Improvement Partnership and The ID Register (Services) Limited. At the same time, the Group now has close to 1,000 active customers versus 450 at the half-year point in FY 2021, and we have had encouraging early success in selling them more products and services from across the Group's divisions.

Development of a new website for existing CloudCoCo business customers to purchase IT hardware is nearing completion, with the launch expected later in the second half. This will enable customers to choose to buy online rather than through an account manager at the Group, ensuring a swift and straightforward procurement process at their convenience. Its introduction is part of the Group's strategy to deepen relationships with its customers and is expected to be the catalyst for a gradual acceleration of hardware purchases. With an exhaustive range of products available to buy 24/7 in just a few clicks, the Group also anticipates a greater number of its Managed Services customers choosing to purchase hardware from its VAR division, rather than from several third-party suppliers.

To support our sales efforts, we have invested in additional marketing resource and introduced product and solution specialisms through a new sales overlay programme. We are already seeing evidence of successful cross-selling as a result, and expect to see momentum to continue to build through the second half. We have also implemented new technology and systems to ensure our teams have everything they need to source and convert leads while tracking and sharing their progress with the rest of the Group.

Post-period, in June, we established a sales academy at the Group's head office in Leeds. Initially comprising five new hires, the Academy will provide a structured environment for training and developing homegrown talent, giving ambitious individuals the skills and experience necessary to grow into important members of the CloudCoCo sales team and make a meaningful contribution to the Group's revenue growth.

With a growing number of new opportunities and the steps we have taken to make it easier and more beneficial for existing customers to buy a more diverse range of products and services from us, we are confident in our ability to continue to accelerate sales.

Maintain excellent support levels

Delighting customers through best-in-class customer service is our ultimate goal as a business and we continue to strive to achieve excellence in this area, introducing several initiatives in the first half including combining the service desks from Connect and CloudCoCo to improve coverage in core hours and enhance our 24/7 support function, and establishing a new team in January 2022 to proactively review our customers' hardware estate and alert patterns before recommending corrective actions if necessary.

Response times to support requests continued to improve in the period, with customer satisfaction levels remaining high. More than 90% of support events were rated "good" or better, and we are currently evaluating ways to further improve resolution times in the second half.

Drive efficiencies and strengthen financial position

A priority in the first half was to review and renegotiate key supplier contracts across the newly acquired businesses. We also reviewed and consolidated colleague roles where possible across the Group, identified synergies, and maintained our disciplined approach to driving down cost of sales and overheads without compromising quality of service. While there are still efficiencies to be realised with the integration of the new businesses, we have made rapid progress to date and anticipate further progress in the second half.

Improving our financial strength and liquidity remains a key area of focus the Group. We continue to explore ways to bolster our position, including improving speed of invoicing by offering discounts to customers with multi-year contracts for paying in advance, and enhancing our due diligence in the credit control process.

**Our people**

We now have 125 staff, an increase of 78 compared to the same period last financial year. While this gives us much greater capacity, the additional skills and talent that were brought into the business via the acquisitions means we now have significantly increased capability to deliver a much broader range of solutions without having to undertake significant new hiring and training of colleagues.

In November 2021 we appointed Mike Chester as Group Operations Director. A newly created role, Mike is responsible for overseeing the day-to-day operational functions of CloudCoCo and ensuring the Group continues to provide the very highest standards of proactive customer support as it looks to expand further.

Mike has a track record of positioning organisations for operational success in a career spanning over 25 years, 18 of which have been in the Managed Service Provider space, and he has made an excellent start to life at CloudCoCo, having already played an instrumental role in the integration of the newly acquired businesses and ensuring the different parts of the Group are able to collaborate as effectively and efficiently as possible.

We are looking at the best way to create a more modern working environment for our colleagues, including the proposed location of a new UK service management centre to complement our current facilities in Warrington, Leeds, Bournemouth and Sheffield.

During the period, we also appointed a Head of People as part of our ongoing CoCo-One initiative. Our collaborative, inclusive and high-performance culture is vital to our success, and we are now of a size where we will benefit from having someone responsible for ensuring we have the right people systems and practices in place across the Group to ensure it thrives.

As mentioned above, our new sales academy is now up and running, and I look forward to seeing what our new recruits can achieve.

**Current trading and outlook**

Trading in the second half to date has been encouraging, largely as a result of the significant strategic progress that has taken place ahead of schedule. We continue to successfully sign large multi-year agreements – much larger than we would have been able to before we made the acquisitions – with St John Ambulance and Abbott Laboratories already secured, and our pipeline of opportunities continues to grow.

With the correction of the Connect business behind us, we enter the second half of the year with a clean bill of health, a more joined up organisational infrastructure and a common objective across the Group to drive sustainable, increasingly profitable growth. Growing our customer base further will be a key priority going forwards but capturing increased value from our expanded customer base post-acquisitions will be equally as important.

As a team we have taken decisive action in the first half to put the Group on a sound footing, and expect to see the benefits to the bottom line of the hard work done become evident in the second half, and realised fully in the next financial year.

Our M&A strategy is showing early signs of success, we have a blueprint for integration that is proven, and we continue to look at further opportunities to expand the Group through acquisition. That said, we will only move forwards where we believe the terms are favourable and that the business is a good strategic fit.

While we have made material progress and have moved up the food chain considerably, we are an ambitious organisation, and have no intention of letting up in our pursuit of our growth ambitions. We are monitoring the external environment, but demand trends remain healthy, and with the improvements that have been made across the Group to date to unlock its potential, we are confident of continued progress in the second half and beyond.

**Mark Halpin**
CEO
28 June 2022

# Consolidated income statement

for the six-month period ended 31 March 2022

| | Note | Unaudited 6 months to 31 March 2022 £'000 | Unaudited 6 months to 30 September 2021 £'000 | Unaudited 6 months to 31 March 2021 £'000 | Audited Year to 30 September 2021 £'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| **Revenue** | 3 | **11,644** | 3,963 | 4,144 | 8,107 |
| Cost of sales | | **(8,123)** | (2,392) | (2,499) | (4,891) |
| **Gross profit** | | **3,521** | 1,571 | 1,645 | 3,216 |
| Other income | | — | 21 | 46 | 67 |
| Administrative expenses | | **(4,730)** | (2,713) | (2,081) | (4,794) |
| **Trading Group EBITDA [1] – non statutory measure** | | **302** | 381 | 364 | 745 |
| Amortisation of intangible assets | 6 | **(654)** | (514) | (495) | (1,009) |
| Plc costs[2] | | **(345)** | (270) | (222) | (492) |
| Depreciation | | **(61)** | (50) | (47) | (97) |
| Exceptional items – other | 4 | **(280)** | (400) | (41) | (441) |
| Share-based payments | | **(171)** | (268) | 51 | (217) |
| **Operating loss** | | **(1,209)** | (1,121) | (390) | (1,511) |
| Interest receivable | | — | 1 | — | 1 |
| Interest payable | | **(323)** | (256) | (279) | (535) |
| **Loss before taxation** | | **(1,532)** | (1,376) | (669) | (2,045) |
| Taxation | | **164** | (177) | 94 | (83) |
| **Loss and total comprehensive loss for the year attributable to owners of the parent** | | **(1,368)** | (1,553) | (575) | (2,128) |
| **Loss per share** | | | | | |
| Basic and fully diluted | 5 | **(0.19)p** | (0.30)p | (0.12)p | (0.42)p |

[1] Profit or loss before net finance costs, tax, depreciation, amortisation, plc costs, exceptional items and share-based payments.

[2] Plc costs are non-trading costs relating to the Board of Directors of the Parent Company, its listing on the AIM Market of the London Stock Exchange and its associated professional advisors.

# Consolidated statement of financial position

as at 31 March 2022

| | Note | Unaudited 31 March 2022 £'000 | Unaudited 31 March 2021 £'000 | Audited 30 September 2021 £'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | 6 | **12,492** | 9,864 | 10,393 |
| Property, plant and equipment | | **154** | 159 | 149 |
| Total non-current assets | | **12,646** | 10,023 | 10,542 |
| **Current assets** | | | | |
| Inventories | | **223** | 75 | 86 |
| Trade and other receivables | 7 | **5,438** | 2,148 | 2,953 |
| Cash and cash equivalents | | **1,312** | 575 | 1,183 |
| Total current assets | | **6,973** | 2,798 | 4,222 |
| **Total assets** | | **19,619** | 12,821 | 14,764 |
| **Current liabilities** | | | | |
| Trade and other payables | 8 | **(6,863)** | (2,482) | (2,872) |
| Contract liabilities | | **(2,303)** | (969) | (177) |
| Borrowings | 9 | **(69)** | (109) | (172) |
| Lease liability | | **(109)** | (78) | (86) |
| Total current liabilities | | **(9,344)** | (3,638) | (3,307) |
| **Non-current liabilities** | | | | |
| Contract liabilities | | **(178)** | (235) | (1,092) |
| Borrowings | 9 | **(4,400)** | (3,719) | (3,991) |
| Lease liability | | **(194)** | (33) | (11) |
| Deferred tax liability | | **(1,525)** | (846) | (1,188) |
| Total non-current liabilities | | **(6,297)** | (4,833) | (6,282) |
| **Total liabilities** | | **(15,641)** | (8,471) | (9,589) |
| **Net assets** | | **3,978** | 4,350 | 5,175 |
| **Equity** | | | | |
| Share capital | | **7,062** | 4,952 | 7,062 |
| 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 | | **510** | 71 | 339 |
| Retained earnings | | **(29,710)** | (26,789) | (28,342) |
| **Total equity** | | **3,978** | 4,350 | 5,175 |

# Consolidated statement of changes in equity

for the six-month period ended 31 March 2022

| | 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** |

| | Share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Merger reserve £'000 | Other reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **At 1 April 2021** | **4,952** | **17,630** | **6,489** | **1,997** | **71** | **(26,789)** | **4,350** |
| Loss and total comprehensive loss for the period | — | — | — | — | — | (1,553) | (1,553) |
| **Transactions with owners in their capacity of owners** | | | | | | | |
| Issue of 210,990,000 shares at 1p per share via a Placing. | 2,110 | — | — | — | — | — | 2,110 |
| Share-based payments | — | — | — | — | 268 | — | 268 |
| Total transactions with owners | 2,110 | — | — | — | 268 | — | 2,378 |
| Total movements | 2,110 | — | — | — | 268 | (1,553) | 825 |
| **Equity at 30 September 2021** | **7,062** | **17,630** | **6,489** | **1,997** | **339** | **(28,342)** | **5,175** |

| | Share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Merger reserve £'000 | Other reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **At 1 October 2021** | **7,062** | **17,630** | **6,489** | **1,997** | **339** | **(28,342)** | **5,175** |
| Loss and total comprehensive loss for the period | — | — | — | — | — | (1,368) | (1,368) |
| Share-based payments | — | — | — | — | 171 | — | 171 |
| Total movements | — | — | — | — | 171 | (1,368) | (1,197) |
| **Equity at 31 March 2022** | **7,062** | **17,630** | **6,489** | **1,997** | **510** | **(29,710)** | **3,978** |

# Consolidated statement of cash flows

for the six-month period ended 31 March 2022

| | Unaudited 6 months to 31 March 2022 £'000 | Unaudited 6 months to 30September 2021 £'000 | Unaudited 6 months to 31 March 2021 £'000 | Audited Year to 30 September 2021 £'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Loss before taxation | **(1,532)** | (1,376) | (669) | (2,045) |
| Adjustments for: | | | | |
| Depreciation – owned assets | **61** | 5 | 17 | 22 |
| Depreciation – right of use assets | **—** | 45 | 30 | 75 |
| Amortisation | **654** | 514 | 495 | 1,009 |
| Share-based payments | **171** | 268 | (51) | 217 |
| Net finance expense | **323** | 255 | 279 | 534 |
| Costs relating to acquisitions[1] | **93** | 202 | — | 202 |
| Costs relating to Placing of 210,990,000 shares | **—** | 171 | — | 171 |
| Increase in trade and other receivables | **(1,020)** | (116) | (292) | (408) |
| (Increase) / decrease in inventories | **(137)** | 20 | (44) | (24) |
| Increase / (decrease) in trade payables, accruals and contract liabilities | **1,146** | (375) | 318 | (57) |
| **Net cash (outflow) / inflow from operating activities before acquisition costs** | **(241)** | (387) | 83 | (304) |
| Costs relating to acquisitions[1] | **(93)** | (202) | — | (202) |
| **Net cash (outflow) / inflow from operating activities** | **(334)** | (589) | 83 | (506) |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | **(16)** | (14) | (17) | (31) |
| Acquisitions net of cash acquired[1] | **498** | (563) | — | (563) |
| Interest received | **—** | 1 | — | 1 |
| Net cash inflow / (outflow) from investing activities | **482** | (576) | (17) | (593) |
| **Cash flows from financing activities** | | | | |
| Proceeds from Placing of 210,990,000 shares | **—** | 2,110 | — | 2,110 |
| Less transaction fees relating to the Placing | **—** | (171) | — | (171) |
| Repayment of loan funds from MXCG | **—** | (100) | — | (100) |
| Payment of lease liabilities | **(18)** | (48) | (72) | (120) |
| Interest paid | **(1)** | (18) | (7) | (25) |
| Net cash (outflow) / inflow from financing activities | **(19)** | 1,773 | (79) | 1,694 |
| **Net increase in cash** | **129** | 608 | (13) | 595 |
| Cash at bank and in hand at beginning of period | **1,183** | 575 | 588 | 588 |
| **Cash at bank and in hand at end of period** | **1,312** | 1,183 | 575 | 1,183 |
| Comprising: | | | | |
| Cash at bank and in hand | **1,312** | 1.183 | 575 | 1,183 |

[1] Six months to 30 September 2021 relates to the acquisition of Systems Assurance Limited and More Computers Limited.
Six months to 31 March 2022 relates to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) and Nimoveri Limited.

# 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 2022 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 2023, including sensitivity analysis on the key assumptions such as the potential impact of reduced sales or slower cash receipts for the next twelve months and the Directors have reasonable expectations that the Group and the Company have adequate resources to continue operations for the 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 and Company 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 executive directors of the Company and its subsidiaries review the Group's internal reporting in order to assess performance and to allocate resources. Profit performance is principally assessed 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 Directors review the revenue streams and related gross profits of two categories separately (Managed IT Services and Value added resale), the operating costs and operating asset base used to derive these revenue streams are the same for both categories and are presented as such in the Group's internal reporting.

The segmental analysis below is shown at a revenue level in line with the internal assessment based on the following reportable operating categories:

| | | |
|---|---|---|
| **Managed IT Services** | – | This category comprises the provision of recurring IT services which either have an ongoing billing and support element or utilise the technical expertise of our people. |
| **Value added resale** | – | This category comprises the resale of one-time solutions (hardware and software) from our leading technology partners, including revenues from the MoreCoCo e-commerce platform. |

No customer accounts for more than 10% of external revenues in any reported period.

### *3.1 Analysis of continuing results*

All revenues from continuing operations are derived from customers within the UK. In order to simplify our reporting of revenue, we have taken the decision to condense our reporting segments into two new categories – Managed IT Services and Value Added Resale. This analysis is consistent with that used internally by the CODM and, in the opinion of the Board, reflects the nature of the revenue. Trading EBITDA is reported as a single segment.

| | **Unaudited 6 months to 31 March 2022 £'000** | Unaudited 6 months to 30 September 2021 £'000 | Unaudited 6 months to 31 March 2021 £'000 | Audited Year to 30 September 2021 £'000 |
|---|---|---|---|---|
| **By operating segment** | | | | |
| Managed IT Services | **8,582** | 2,738 | 2,910 | 5,648 |
| Valued Added Resale | **3,062** | 1,225 | 1,234 | 2,459 |
| Total revenue | **11,644** | 3,963 | 4,144 | 8,107 |

### 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 2022 £'000** | Unaudited 6 months to 30 September 2021 £'000 | Unaudited 6 months to 31 March 2021 £'000 | Audited Year to 30 September 2021 £'000 |
|---|---|---|---|---|
| Costs relating to acquisitions[1] | **(93)** | (202) | — | (202) |
| Costs relating to the Placing | **—** | (171) | — | (171) |
| Integration and restructure costs | **(187)** | (27) | (41) | (68) |
| Exceptional items | **(280)** | (400) | (41) | (441) |

[1] Six months to 30 September 2021 relates to the acquisition of Systems Assurance Limited and More Computers Limited. Six months to 31 March 2022 relates to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) and Nimoveri Limited.

### 5. Loss per share

| | **Unaudited 6 months to 31 March 2022 £'000** | Unaudited 6 months to 30 September 2021 £'000 | Unaudited 6 months to 31 March 2021 £'000 | Audited Year to 30 September 2021 £'000 |
|---|---|---|---|---|
| Loss attributable to ordinary shareholders | **(1,368)** | (1,553) | (575) | (2,128) |
| | **Number** | **Number** | **Number** | **Number** |
| Weighted average number of Ordinary Shares in issue, basic and diluted | **706,215,686** | 510,759,930 | 495,225,986 | 510,759,930 |
| Basic and diluted loss per share | **(0.19)p** | (0.30)p | (0.12)p | (0.42)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 2020 and 31 March 2021 | 9,835 | 182 | 1,657 | 9,280 | 20,954 |
| Additions - acquisition of Systems Assurance Limited | 253 | 179 | 470 | 141 | 1,043 |
| At 30 September 2021 | 10,088 | 361 | 2,127 | 9,421 | 21,997 |
| Additions – acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) | 247 | — | 298 | 2,208 | 2,753 |
| **At 31 March 2022** | **10,335** | **361** | **2,425** | **11,629** | **24,750** |
| | | | | | |
| **Accumulated amortisation** | | | | | |
| At 1 October 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) |
| Charge for the period | **—** | (20) | (29) | (465) | (514) |
| At 30 September 2021 | — | (184) | (1,032) | (4,523) | (5,739) |
| Charge for the period | — | (9) | (63) | (582) | (654) |
| **At 31 March 2022** | **—** | **(193)** | **(1,095)** | **(5,105)** | **(6,393)** |
| | | | | | |
| **Impairment** | | | | | |
| At 1 October 2020 | (4,447) | — | (225) | (1,193) | (5,865) |
| Charge for the period | — | — | — | — | — |
| At 31 March 2021 | (4,447) | — | (225) | (1,193) | (5,865) |
| Charge for the period | — | — | — | — | — |
| At 30 September 2021 | (4,447) | — | (225) | (1,193) | (5,865) |
| Charge for the period | — | — | — | — | — |
| **At 31 March 2022** | **(4,447)** | **—** | **(225)** | **(1,193)** | **(5,865)** |
| | | | | | |
| **Carrying amount** | | | | | |
| **At 31 March 2022** | **5,888** | **168** | **1,105** | **5,331** | **12,492** |
| At 30 September 2021 | 5,641 | 177 | 870 | 3,705 | 10,393 |
| At 31 March 2021 | 5,388 | 18 | 429 | 4,029 | 9,864 |

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are independent cash flows (cash generating units). Goodwill is allocated to those assets that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows. The directors concluded that at 31 March 2022, there were four CGUs being CloudCoCo Limited, Systems Assurance Limited, More Computers Limited and CloudCoCo Connect Limited (formerly IDE Group Connect Limited).

Each year, management prepares the resulting cash flow projections using a value in use approach to compare the recoverable amount of the CGU to the carrying value of goodwill and allocated assets and liabilities. 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, WACC and other known variables. The calculations are sensitive to movements in both WACC and the revenue growth projections.

The impairment calculations were performed using post-tax cash flows at post-tax WACC of 11.25%. The pre-tax discount rate (weighted average cost of capital) was calculated at 15% per annum (FY21:15%) and the revenue growth rate is 5% per annum (FY21: 5%) for 5 years and a terminal growth rate of 2% (FY21: 2%) per annum.

Sensitivities have been run on cash flow forecasts for the CGU. Management is satisfied that the key assumptions of revenue 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 | £7,118 |
| Discount rate increased by 1% - resulting headroom | £6,450 |
| Revenue growth rate reduced by 1% per annum – resulting headroom | £4,030 |

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 period as indicators that there is no impairment of intangible assets.

**7. Trade and other receivables**

| | **Unaudited 31 March 2022 £'000** | **Unaudited 31 March 2021 £'000** | **Audited 30 September 2021 £'000** |
|---|---|---|---|
| Trade receivables | **3,043** | 1,041 | 1,781 |
| Other debtors | **111** | 13 | 112 |
| Contract assets | **586** | 202 | 232 |
| Prepayments | **1,698** | 892 | 828 |
| Trade and other receivables | **5,438** | 2,148 | 2,953 |

The Group reviews the amount of expected credit loss associated with its trade receivables and contract assets under IFRS 9 based on forward looking estimates that take into account current and forecast credit conditions as opposed to relying on past historical default rates. In adopting IFRS 9 the Group applied the Simplified Approach applying a provision matrix based on number of days past due to measure lifetime expected credit losses and after taking into account customers with different credit risk profiles and current and forecast trading conditions.

**8. Trade and other payables**

| | **Unaudited 31 March 2022 £'000** | **Unaudited 31 March 2021 £'000** | **Audited 30 September 2021 £'000** |
|---|---|---|---|
| Trade payables | **4,492** | 1,551 | 2,008 |
| Accruals | **1,633** | 407 | 433 |
| Other taxes and social security costs | **738** | 524 | 431 |
| Trade and other payables | **6,863** | 2,482 | 2,872 |

**9. Borrowings**

***9.1 Current***

| | **Unaudited 31 March 2022 £'000** | **Unaudited 31 March 2021 £'000** | **Audited 30 September 2021 £'000** |
|---|---|---|---|
| COVID-19 Bounce-back loan repayable – short-term element | **19** | 9 | 17 |
| Deferred consideration relating to the acquisition of Systems Assurance Limited. | **—** | — | 155 |
| Deferred consideration relating to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) - short term element at Fair Value | **50** | — | — |
| MXC Guernsey Limited working capital facility | **—** | 100 | — |
| | **69** | 109 | 172 |

***9.2 Non-current***

| | Unaudited 31 March 2022 £'000 | Unaudited 31 March 2021 £'000 | Audited 30 September 2021 £'000 |
|---|---|---|---|
| Loan notes | **3,698** | 3,229 | 3,412 |
| Accrued interest on loan notes repayable in October 2024 | **526** | 449 | 496 |
| Loan notes | **4,224** | 3,678 | 3,908 |
| COVID-19 Business Bounce-back loan repayable – long-term element | **73** | 41 | 83 |
| Deferred consideration relating to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) - long term element at Fair Value | **103** | — | — |
| | **4,400** | 3,719 | 3,991 |

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.

As part of the acquisition of More Computers Limited on 6 September 2021, the Company inherited a COVID-19 Business Bounce-back loan of £50,000 between More Computers Limited and NatWest Bank Plc. 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 March 2022.

***9.3 Net debt – net debt comprises:***

| | 2022 £'000 | Cash movements £'000 | Other movements £'000 | 2021 £'000 |
|---|---|---|---|---|
| Loan notes | **4,224** | — | 316 | 3,908 |
| COVID-19 Bounce-back loans | **92** | (4) | — | 100 |
| Deferred consideration relating to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) - Fair Value | **153** | — | 153 | — |
| Lease liabilities | **303** | (18) | 224 | 97 |
| Cash and cash equivalents | **(1,312)** | (129) | — | (1,183) |
| **Total** | **3,460** | (155) | 693 | 2,922 |

**10. Acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) and Nimoveri Limited**

On 21 October 2021, the Group acquired the entire issued share capital of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) and its wholly owned subsidiary Nimoveri Limited for a total consideration of £0.2 million at fair value in accordance with IFRS 3. The acquisition was acquired from IDE Group Plc ("IDE"), on a normalised net cash basis funded via a loan note from IDE for £250,000 to be repaid over five years with an annual interest rate of Bank of England base rate +3% with no payments due in the first six months.

IDE also agreed to provide the Group with a working capital facility of up to £500,000 on request, should it be required to help fund the initial restructure of the Connect business. Amounts drawn would be convertible into new ordinary shares in the Group at 1 pence per share, if not repaid in full by 19 October 2022. As at 28 June 2022, none of the working capital facility has been drawn down.

The consideration terms reflected the financial state of the Connect business at the date of the acquisition, the limited-scope warranties offered by IDE and the small number of unprofitable contracts contained within the business. Since acquisition, the Group's management team have implemented a number of steps to help improve the profitability of the Connect business, such that the business is at monthly breakeven performance from March 2022.

The acquisition of Connect and Nimoveri was a related party transaction pursuant to rule 13 of the AIM Rules for Companies, due to MXC Guernsey Limited owning 10.6%. of the Company's issued share capital and 34.8% of IDE's issued share capital.

The Directors of the Company (save for Jill Collighan who was not deemed independent for this purpose) having consulted with the Company's Nominated Adviser, agreed that the terms of the transaction were fair and reasonable insofar as the Company's shareholders were concerned.

Given the relatively short period of time since the acquisition, the Group have prepared a provisional opening balance sheet and have provisionally assessed the fair value of the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) as follows:

| | Book Cost £'000 | Fair Value Adjustment £'000 | **Fair Value £'000** |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets – customer lists | 15 | 2,193 | **2,208** |
| Intangible assets – brand | — | 298 | **298** |
| Property, plant and equipment | 76 | (66) | **10** |
| Total non-current assets | 91 | 2,425 | **2,516** |
| **Current assets** | | | |
| Trade and other receivables | 1,473 | (33) | **1,440** |
| Cash at bank | 498 | — | **498** |
| Total current assets | 1,971 | (33) | **1,938** |
| **Total assets** | 2,062 | 2,392 | **4,454** |
| **Current liabilities** | | | |
| Trade and other payables | (1,605) | 298 | **(1,307)** |
| Accruals | (587) | (205) | **(792)** |
| Other taxes and social security costs | (576) | — | **(576)** |
| Contract liabilities | (1,063) | — | **(1,063)** |
| Lease liability | (92) | — | **(92)** |
| | (3,923) | 93 | **(3,830)** |
| **Non-current liabilities** | | | |
| Contract liabilities | (15) | — | **(15)** |
| Accruals | — | (200) | **(200)** |
| Lease liability | (2) | — | **(2)** |
| Deferred tax liability | — | (501) | **(501)** |
| **Total liabilities** | (3,940) | (608) | **(4,548)** |
| **Net Liabilities** | (1,878) | 1,784 | **(94)** |
| Consideration in cash | | | **—** |
| Fair value of deferred consideration loan | | | **153** |
| Consideration in shares | | | **—** |
| **Fair value of cost of acquisition** | | | **153** |
| **Goodwill** | | | **247** |

| | **2022 £'000** |
|---|---|
| Cash consideration paid | **—** |
| Cash acquired | **498** |
| Acquisition of CloudCoCo Limited, net of cash | **498** |

The goodwill arising on this acquisition was attributable to the brand and the customer base. Direct acquisition costs amounting to £93,000 were written off to the income statement within exceptional items.

**END**