The information contained within this announcement is deemed by CloudCoCo to constitute inside information pursuant to Article 7 of EU Regulation 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended.

30 April 2024

CloudCoCo Group plc

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

Final Results

CloudCoCo (AIM: CLCO), a leading UK provider of Managed IT services and communications solutions to private and public sector organisations, is pleased announce its full year results for the year ended 30 September 2023 (“FY 2023”).

Highlights:

- Revenue increased by 7% to £26.0 million (2022: £24.2 million), of which 64% was generated from recurring contracts (2022: 67%)
- VAR revenues increased by 13% to £8.0 million (2022: £7.1 million) with 46% being fulfilled online via the MoreCoCo e-commerce platform.
- Gross profit increased by 6% to £8.4 million (2022: £7.9 million), a margin of 33% (2022: 33%)
- Trading Group EBITDA[1] increased by 19% to £1.9 million (2022: £1.6 million)
- Continued new customer wins and increased traction in multi-cloud and cyber security divisions
- 85% increase in MoreCoCo e-commerce sales to £3.7m (FY22: £2.0m) in line with growing demand for next-day delivery of technology products
- Expansion of strategic partnerships
- Post-period end extension of repayment date of legacy loan notes to 31 August 2026

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

As announced this morning, Mark Halpin has stepped down from the Board and his position as Chief Executive Officer with immediate effect. Ian Smith will join CloudCoCo, initially as a consultant to the Board, acting as Interim CEO of the Group’s trading entities.

Simon Duckworth, Chairman of CloudCoCo, commented:

“The IT industry is evolving quickly and with change comes opportunity. In order to capitalise on this, a great deal of hard work has been carried out across the Group to enhance, reorganise and streamline different functions with an emphasis on seamless collaboration. The year was not without its challenges, but we are moving through FY24 as a leaner and more focused business with everyone pulling in the same direction.

Looking ahead, the deferral of the 2024 Loan Notes until late 2026 will help us to continue pursuing an organic growth strategy, responding quickly and effectively to market developments while leveraging our strategic partners to punch above our weight in the products and services we provide.”

The Company’s Annual Report will be available on the Company’s website on 30 April 2024 and will be posted to shareholders tomorrow along with notice of the Annual General Meeting to be held on 29 May 2024. Copies of these documents are available on the Company’s website at www.cloudcoco.co.uk.

Contacts:

CloudCoCo Group plc Simon Duckworth (Chairman) Darron Giddens (CFO)	Via Alma
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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, Multi-Cloud, Collaboration, Cyber Security, IT Hardware, Licencing, Support and Professional Services.

CloudCoCo has headquarters in Leeds and regional offices in Warrington, Sheffield and Bournemouth.
www.cloudcoco.co.uk

Chairman's statement

Overview

I am pleased to report our annual results for the year ended 30 September 2023.

We approached the year with a focus on three key areas:

- to accelerate sales;
- to maintain excellent support levels; and
- to drive efficiencies and strengthen financial position.

In the face of a challenging economic environment, we have steadfastly pursued our strategic objectives, achieving a commendable financial performance. Our focus on connectivity, multi-cloud, collaboration, and cyber security has fortified our market position, driving both revenue and Trading Group EBITDA[1] growth.

Whilst much of the year was spent looking at options to refinance the legacy loan notes, which were due for repayment in October 2024, we were unable to secure suitable terms in the current climate. Our loan note holder, MXC Guernsey Limited, has agreed that the repayment date for the loan notes will be extended to 31 August 2026. Further details of the loan note extension can be found in the Financial Review and in Note 13 and Note 15. We thank MXC Guernsey Limited for its continued support and flexibility.

As announced this morning, Mark Halpin has stepped down from the Board and his position as Chief Executive Officer ("CEO") with immediate effect. Mark was an original founder of the CloudCoCo Limited business, which was acquired into the Group in October 2019. We would like to thank Mark for his service to the business during a period of both organic and acquisitive growth and wish him well with his future endeavours. Ian Smith (CEO of MXC Capital Limited, the parent of MXC Guernsey Limited) will join CloudCoCo, initially as a consultant to the Board, acting as Interim CEO of the Group's trading entities.

This report outlines the Group's solid performance in FY23 amidst economic challenges, with growth in revenue and a significant increase in Trading Group EBITDA[1]. It details the Group's focus on growth through customer engagement and expansion in key areas like Connectivity, Multi-Cloud, Collaboration, and Cyber Security. The Group's efforts in rebranding assets, forming strategic partnerships, and enhancing e-commerce platforms are highlighted. Despite market challenges, we have made notable progress in sales, customer base expansion, and operational efficiencies, setting a strong foundation for future growth.

Our innovative approach and strategic investments in key technology areas position us well for sustained growth in the evolving IT landscape.

People

Following the successful novation of the dedicated outsourced service desk contract back to the customer in May 2023, CloudCoCo now comprises over 90 talented people.

We were pleased to be able to recruit some experienced industry specialists into the Multi-Cloud and Cyber Security pillars during the year and we have already seen some notable success from this investment. We have encouraged our specialists to build an expert practice within our business, and

actively engage with our existing customer base. This activity has seen our pipeline of sales orders increase and a number of new multi-year recurring contracts. We expect this to continue in what is fast becoming an area of significant potential for the business.

Our confidence in reaching our long-term growth ambitions rest on our ability to develop our existing pool of talented people as well as attracting new talent to the organisation. We have invested in expanding and optimising our teams during the year, including a number of important hires in key strategic areas including sales, new business and technical support. These hires complement our existing team and will help shape the direction of the Group as we continue to grow.

Outlook for the current financial year

While conscious of the prevailing economic headwinds and the impact on some of our customers, we are well placed to continue to navigate them and are confident of making continued steady strategic and commercial progress in the current financial year.

Simon Duckworth
Chairman

29 April 2024

Trading Review

Introduction

Despite a challenging macroeconomic climate, the Group delivered an FY23 performance in line with market expectations. Revenue for the period was £26.0 million and Trading Group EBITDA[1], a core KPI for the Group, increased 19% to £1.9 million.

Our proposition

Our proposition remains built around four principal areas: Connectivity, Multi-Cloud, Collaboration and Cyber Security.

Connectivity: following the acquisitions, we have an extraordinary set of network assets at our disposal that are not being used to their fullest potential. It is our intention to rebrand these and leverage them to create new revenue streams and win contracts with much larger, multisite organisations where speed and secure access to data centres around the UK are essential.

Multi-Cloud: we are committed to building CloudCoCo into a northern, multi-cloud powerhouse; a truly agnostic partner able to offer customers the solution that best suits their business needs. This will be a key area of investment.

Collaboration: telephony is in CloudCoCo's DNA. We have most of the building blocks to accelerate growth in this area and are actively exploring strategic partnerships that will take us to the next level.

Cyber Security: CloudCoCo has built a reputation for its cyber security offering, centred around our relationships with industry giants such as Fortinet. It is our intention to continue in a similar vein, bolstering our capabilities and accreditations through new and extended partnerships.

Our aim is to help transform our customers' operations by supplying and supporting technologies that deliver greater efficiency, connectivity, and innovation to help them achieve their own objectives.

Trading Performance

Now that the acquisitions completed in 2021 have been fully integrated, we have an expanded platform to drive organic growth. Trading performance in the year was driven by a focus on sales across our four core pillars, supported by growth in e-commerce revenues. We bolstered our sales function during the year and reorganised our teams to ensure a cohesive, unified sales approach across the Group.

During the latter part of the year, we focussed our marketing efforts on multi-cloud and cyber security opportunities and this has seen an increase in both areas of the business, attracting a number of new logo customers and securing new revenue streams into our existing customer base. To this end we made several key appointments across each of our four pillars of our proposition and are excited about the value they will bring.

We are also pleased to report growth in the number of new logo customers acquired this year, while exceeding expectations in existing customer contract renewals in the year. This is a particular highlight and testament to the investments we have made in delivering high quality customer service over the last few years.

Whilst the general increase in UK energy prices and the resulting inflationary increases across all sectors puts pressure on our customers' own operations, we recognise that this can lead to some cancellations, but we have been able to deliver overall customer retention of 88% in the year to February 2024.

Progress against FY 2023 objectives

Accelerate sales

We achieved revenues of £26.0 million in the 12 months to 30 September 2023, compared to £24.2 million in the year prior. .

Revenues	**2023** **£'000**	2022 £'000
Managed IT Services	**17,977**	17,056
Value added resale	**7,976**	7,137
Total Revenue	**25,953**	24,193

We took the decision in the latter part of FY22 to invest and re-organise our sales and marketing functions. The acquisitions we made in 2021 enhanced the offerings available from the Group, introducing e-commerce sales, data centre and colocation sites and a core fibre network. This complemented our existing Managed IT services, collaboration and cyber security revenue streams.

We continue to attract new logo customers and build our new business pipeline at a healthy rate despite these headwinds posed to organisations across the UK.

Total contract value, the measure used to reflect the total revenue that we can expect to generate from new customer contracts signed in the year over their contractual term was £13.7m, just under three times the same figure in 2021 but a reduction in the figure achieved during FY22 of £15.7m, mainly as a result of the economic backdrop. Our sales teams continue to prioritise larger, multi-year contracts and we added 42 new customers in the year across a range of sectors.

MoreCoCo

MoreCoCo, our scalable e-commerce technology business, has been a particular success following a rebrand and improvements made to the site. We saw impressive growth in line with the growing demand across the wider e-commerce industry for technology goods, with sales from the site increasing 85% to £3.7m (FY22: £2.0m).

In H2, we announced a partnership with a global leader in the purchase, restoration and sale of refurbished IT hardware. This partnership has further supported the growth of MoreCoCo through the supply of more than 15,000 products, while also improving our sustainability credentials.

We have continued to see increased demand from businesses and consumers who want to purchase IT hardware and consumables online. MoreCoCo gives us a crucial competitive advantage in today's business environment and enables us to deliver choice and convenience 24/7 with next day delivery and tracking assured for a reliable customer experience.

Maintain excellent support levels

We retain our commitment to delivering a best-in-class customer service to our customers, ensuring the

We retain our commitment to delivering a best-in-class customer service to our customers, ensuring the best possible response times. With this in mind, as previously reported, we restructured our customer services function in H1 in order to unify our technical support operations, alongside investment into new talent.

We also took steps to re-organise and optimise our sales and support functions to enable a greater focus and collaboration across our teams. This came hand-in-hand with investment in new talent and resources and has led to further cost savings in the business. As a result, the Group has ended the year as a significantly leaner and more efficient operation.

We remain focused on making every interaction our customers have with us a delight and, reflecting this, our current customer satisfaction levels are exceptional. These have been enhanced by a change to our customer service structure in H1 2023, which unified our technical support operations, as well as investments into new talent. As a result, we are pleased to report customer satisfaction levels in excess of 95% in February 2024.

Drive efficiencies and strengthen financial position

A key focus for management during the period was the continued reduction of costs and improving of efficiencies across the Group. Our proactive cost reduction measures have continued through the review of supplier relationships, resulting in a reduction from 450 to 220 suppliers and identification of over £50,000 in ongoing monthly savings, enhancing the Group's profitability into FY24.

However, this cost benefit was masked somewhat by the increases seen in the cost of power in our data centre locations and the flow of annual retail price index increases from connectivity and service providers. Our recurring contracts allow us to pass third-party price increases on to customers.

Whilst we increased investment in our sales and marketing activities throughout the year, we have continued to review and assess our supplier relationships with a view to achieving further reduction in costs.

Through these measures, alongside our continued positive trading performance, we remain confident in the Group's ability to drive growth as economic conditions improve.

Dedicated outsourced IT helpdesk

As part of the acquisition of CloudCoCo Connect in 2021, we inherited a dedicated outsourced IT helpdesk contract, which had been run exclusively for a UK health and leisure brand, seven days a week. In May 2023, we agreed to novate this service back to the customer in-house, so that the staff dedicated to this exclusive service could be employed directly by the customer. Whilst this reduced annual recurring revenues by £0.9m per annum, the net impact on trading profit was marginal as this freed up management resources to focus attention on delivering new sales and shared IT services for our wider business customer base.

Strategic partnerships

Strategic partnerships form another key area of the Group's strategy to expand our range of opportunities. In April 2023, we announced a partnership with Abstract Tech, a Leeds-based consultancy which specialises in the delivery of large scale, digital transformation projects. This partnership provides CloudCoCo with the talent and expertise of Abstract's 150 technicians, enabling the Group to take on a broader range of Multi-Cloud projects.

Alongside this, the Group also announced the signing of a partnership with Ingram Micro, the world's largest global business-to-business wholesale provider of technology products and supply chain management services, for the supply of Microsoft Azure and other cloud services. These beneficial partnerships allow us to punch above our weight in Multi-Cloud (the utilisation of Azure, AWS and Google Cloud platforms), an increasingly important requirement when pursuing larger and more complex Managed Services contracts. These partnerships open up a range of potential new revenue opportunities.

Current trading and outlook

The extension of the loan note term agreed with MXC Guernsey will allow the Group to focus on the development of its business.
While the current economic climate will continue to present near-term challenges, the work that has been completed to streamline and focus the Group positions it well for continued progress in FY24, particularly in the areas of Cyber Security and Multi-cloud.

Darron Giddens
29 April 2024

[1] profit or loss before net finance costs, tax, depreciation, amortisation, plc costs, exceptional items and share-based payments.
[2] Source: Mordor Intelligence (https://www.mordorintelligence.com/industry-reports/uk-cybersecurity-market)
[3] Multi Cloud Computing Market Size, Share, Growth 2032 (marketresearchfuture.com)

Financial review

Revenue and gross margin

Group revenue for the year to 30 September 2023 grew by 7% to £26.0 million (FY22 £24.2 million) during a challenging economic period for UK businesses. The impact of the increased cost of power and high inflation rates saw a rise in the wholesale price of IT services, which in turn also resulted in price increases to our customers.

Our revenues produced a total gross profit of £8.4 million (FY22: £7.9 million) representing a gross margin of 32.3% (FY22: 32.6%) reflecting the combination of services provided by our own people and the cost of software and services that we buy from third-party vendors to deliver our managed solutions.

The analysis of revenue from each of our operating segments is shown in note 3 to the accounts.

Managed IT Services

Managed IT Services, which comprises recurring services and ongoing IT support often utilising the data centre locations, core network or technical skills at our disposal, continues to dominate the profile of our revenues, representing 69% (2022: 70%) of group revenues during the year, adding significant value to our customers providing specialist IT skills on-demand, so that they can focus on their core business activities. This grew by £0.9 million to £18.0 million in the year, having produced £17.1 million of revenue in FY22.

In line with our objective to grow the recurring contracted revenue base, we increased such revenues to £16.7 million (2022: £16.2 million). 93% (2022: 95%) of all Managed IT Services revenues were provided under recurring contacts. In most instances, new customer contracts are sold for an initial period of 3 years, although existing recurring contracts allows customers to auto-renew on similar terms at each anniversary.

Providing a comprehensive service to our customers involves delivering the necessary technical expertise, project coordination, and equipment for a variety of IT projects that help support their business operations. Revenues generated from professional services increased by 44% in FY23 to £1.3 million having generated £0.9 million in the prior year. This significant increase reflects the increased demand we are seeing for digital transformation and cyber security projects.

Value added resale

Value added resale (“VAR”) is the resale of one-time solutions (hardware and software) from our leading technology partners, including revenues from the MoreCoCo e-commerce platform.

Revenues from VAR were £8.0 million in FY23, increasing by £0.9 million from £7.1 million achieved in FY22. In line with the continuing trend towards online buying and next day delivery, 46% of VAR revenues were fulfilled online via MoreCoCo, having represented 28% in the prior year.

One consequence of increasing sales from the highly competitive and price sensitive VAR e-commerce market are lower gross profit margins required in order to win business, although this is compensated by lower internal labour costs with no or low touch transactions. Where VAR products form part of an IT project, we are prepared to take a reduced profit margin on the hardware element to support the more profitable professional services revenues.

VAR generated a gross profit of £0.9 million (FY22: £1.4 million) and gross margin of 11% (FY22: 25%).

Operating costs and performance

Excluding plc costs of £0.9 million (FY22: £0.8 million), our operational trading overheads[2] increased to £6.5 million (FY22: 6.4 million) as a result of increased investment in sales and marketing,

As an employee led business, 91% (FY22: 93%) of our operational trading overheads relate to staff costs. Maintaining an optimal blend of talent and skills to serve our customers effectively is key, ensuring no talent remains underutilised. We are constantly exploring methods to enhance the value derived from our operational costs, focusing on strategic collaborations and leveraging automation.

Whilst revenue, gross profit and cash balances remain the primary measures, one of our main financial key performance indicators is our Trading Group EBITDA[1] – our operational trading performance before plc costs, depreciation and amortisation, share based payments and exceptional items. This is a key industry measure, reflecting the underlying trading profits before the costs of assets and liabilities. Our Trading Group EBITDA[1] increased by £0.3 million to £1.9 million in the year (2022: £1.6 million).

The acquisition of Connect in 2021 added 30 data centre locations to the Group. A number of these data centre contracts meet the IFRS 16 definition of right of use assets (see note 11). Thus, rather than recognising an operating expense in respect of the cost of these data centres, they are instead recognised as assets, with an associated lease liability, impacting profit or loss as depreciation and interest expenses and are therefore not recognised in Trading Group EBITDA.

Plc costs

Plc costs in the year increased by £0.1 million to £0.9 million (2022: £0.8 million). These are non-trading costs, relating to the Board of Directors of the parent company, the costs of being listed on the AIM Market of the London Stock Exchange and relevant professional costs. Whilst this year includes a full-year of cost for the Executive Directors, the increase in costs relates primarily to insurances and financial audit fees for the acquired subsidiaries. Following the completion of the subsidiary accounts for the accounting periods ending in 2022, the Group undertook a review of its audit partner and appointed Barnes Roffe LLP as its new independent external auditors in November 2023.

Exceptional Items

During the year we incurred certain non-recurring 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 £0.3 million (2022: £0.6 million), of which £0.1 million (2022: £0.5 million) relates to restructure costs as we continue to right-size the business following the acquisitions made in 2021. Further details of the exceptional items are shown in note 4.

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

During the year the Group incurred net finance costs of £0.8 million (2022: £0.8 million). £0.7 million (2022: £0.6 million) of this was accrued interest on loan notes payable. The remaining £0.1 million (2022: £0.2 million) relates to £0.2 million of interest resulting from IFRS16 lease liabilities, less a credit of £0.1 million relating to the unwinding of the discount on provisions.

The Group incurred other costs including total amortisation and depreciation charges of £2.4 million

(2022: £2.0 million) and recognised a credit against share-based payments charge of £119,000 (2022: £119,000). Depreciation includes £0.9 million relating to IFRS16 data centre right of use assets (2022: 0.5 million) and £0.2 million relating to tangible assets (2022: £0.2 million). After accounting for a deferred tax credit of £0.5 million (2022: £0.3 million credit) arising as part of business combinations, the reported loss for the year after tax was £2.1 million compared to a loss after tax for the year to 30 September 2022 of £2.3 million.

Statement of Financial Position and cash

The Group had positive net assets at 30 September 2023 totalling £1.0 million (2022: £3.0 million) and the cash position reduced by £0.7 million to £0.8 million (2022: £1.5 million). The requirement for us to amortise acquired customer bases over 10 years, despite having business relationships that have extended for over 20 years, causes net assets to deplete quicker than the underlying revenues that support the intangible assets.

The Group had a net cash outflow during the year of £0.7 million (2022: inflow £0.3 million), the main components being:

- Cash inflow generated from operating activities excluding the costs of acquisition of £0.8 million (2022: cash inflow of £1.0 million);
- Payments of deferred consideration for the acquisition of the Connect business of £50,000 during the period (2022: £25,000); and
- Investment in tangible assets of £0.3 million made up of £0.2 million for IT equipment to drive recurring revenues and £0.1 million investment in developing the new MoreCoCo e-commerce platform.
- Payments of lease liabilities of £1.0 million (2022: £0.8 million)

Current assets reduced by £1.3 million to £5.7 million, mainly as a result of the £0.7 reduction in cash balance but also as a result of other positive outcomes including of an improvement in trade receivable days and a reduction in stock and inventories held at year end. We also saw a reduction in contract assets held for work carried out but waiting to be invoiced at year end.

We continue to operate an asset-light business and hold very little stock and work in progress relative to our revenues, preferring to ship-to-order direct from our vendor partners.

Contract liabilities reduced by £0.4 million to £2.1 million (2022: increase £1.2 million) reflecting the fact that customers are consuming prepaid services during the year and that our new standard recurring contracts are generally being signed for 3 years with customers less inclined to signed 5+ year contracts, in the current economic climate. The prior year reflected the acquisition of multi-year recurring customers contracts with the Connect business.

In so far as possible, management look to balance movements in trade receivables and trade payables throughout the year to maintain a consistent bank balance.

Overall Net debt increased by £2.2 million to £6.3 million during the year. Net debt comprises cash balances of £0.8 million less the loan notes and rolled up interest of £5.3 million, together with £0.2 million deferred consideration owed for the acquisition of Connect and shown at fair value. A further £1.6 million is owed in lease liabilities and COVID-19 bounce back loans. The Trading Group EBITDA[1] of the business exceeded the loan note interest in the year by £1.2 million (FY22: £1.1 million).

Tangible assets at year-end increased by £0.2 million (2022: £0.2 million) and the costs of additional capex in the year of £346k (FY22: £115k), the majority of which were acquired to generate Managed IT services revenues from customers. We also channelled investment into the MoreCoCo e-commerce platform, which will deliver additional returns in FY24.

The acquisition of the Connect business came with a core fibre network and 30 data centre locations. The majority of data centres are leased from third-party suppliers on renewable contract terms of up to 5 years in duration. Many of these data centre leases can be auto-renewed, resized or terminated in the months leading up to the end of the term, creating new or modified leases in excess of twelve months, which then fall under IFRS16 as a right of use asset with associated lease. During the year, the Group entered into new or modified IFRS16 right of use leases of £1.1 million (see note 10). These leases, which had less than 12 months remaining on the date of acquisition, were treated as short-term leases up until the point at which they were renewed or modified. The acquisition also contained onerous contracts of £1.2 million over various terms up until November 2032 (see note 11). This is shown as a separate provision in the financial statements.

Further details on the financial position of the Group are contained in the going concern section of the Directors' Report.

Loan Notes

On 29 April 2024, MXC Guernsey Limited ("MXCG") agreed to extend the redemption date of the loan notes detailed in Note 21 from 21 October 2024 to 31 August 2026. Interest will continue to accrue on the loan notes at the current rate of 12% until redemption. All other terms of the loan notes remain the same.

As consideration for the extension, effective from 22 October 2024, MXCG will charge the Company a fee of £550,000 for providing the extension. Payment of this fee will be deferred until the redemption of the loan notes and it will accrue interest at the same rate as the loan notes. MXCG will also have the right to appoint a consultant to, or an Executive Director of, the Company's Board in addition to its current non-executive representative and will have the right at any time to increase its loan security in the form of a full debenture over all Group Companies.

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

[2] trading overheads are the group's administrative costs excluding depreciation and amortisation, plc costs, exceptional items and share-based payments

Consolidated income statement

for the year ended 30 September 2023

	Note	2023 £'000	2022 £'000
Continuing operations			
Revenue	3	**25,953**	24,193
Cost of sales		**(17,508)**	(16,246)
Gross profit		**8,445**	7,947
Administrative expenses		**(10,202)**	(9,784)
Trading Group EBITDA [1]		**1,915**	1,594
Amortisation of intangible assets	9	**(1,285)**	(1,286)
Plc costs[2]		**(863)**	(770)
Depreciation of IFRS16 data centre right of use assets	10	**(879)**	(530)
Depreciation of tangible assets and other right of use assets	10	**(249)**	(164)
Exceptional items	4	**(277)**	(562)
Share-based payments		**(119)**	(119)
Operating loss	5	**(1,757)**	(1,837)
Interest receivable	6	**4**	1
Interest payable	6	**(813)**	(772)
Loss before taxation		**(2,566)**	(2,608)
Taxation	7	**475**	321
Loss and total comprehensive loss for the year attributable to owners of the parent		**(2,091)**	(2,287)
Loss per share			
Basic and fully diluted	8	**(0.30)p**	(0.32)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, the costs of being listed on the AIM Market of the London Stock Exchange and its associated professional advisors.

Consolidated statement of financial position

as at 30 September 2023

		30 September 2023 £'000	30 September 2022 £'000
Non-current assets			
Intangible assets	9	**11,295**	12,580
Property, plant and equipment	10	**312**	128
Right of Use assets	10	**1,530**	814
Total non-current assets		**13,137**	13,522
Current assets			
Inventories		**76**	165
Trade and other receivables		**4,443**	4,766
Contract assets		**395**	558
Cash and cash equivalents		**794**	1,516
Total current assets		**5,708**	7,005
Total assets		**18,845**	20,527
Current liabilities			
Trade and other payables		**(6,878)**	(6,890)
Contract liabilities		**(1,820)**	(1,891)
Provision for onerous contracts	11	**(148)**	(148)
Borrowings		**(69)**	(69)
Lease liability	12	**(1,138)**	(733)
Total current liabilities		**(10,053)**	(9,731)
Non-current liabilities			
Contract liabilities		**(311)**	(601)
Provision for onerous contracts	11	**(684)**	(927)
Borrowings		**(5,335)**	(4,723)
Lease liability	12	**(476)**	(112)
Deferred tax liability		**(951)**	(1,426)
Total non-current liabilities		**(7,757)**	(7,789)
Total liabilities		**(17,810)**	(17,520)
Net assets		**1,035**	3,007
Equity			
Share capital		**7,062**	7,062
Share premium account		**17,630**	17,630
Capital redemption reserve		**6,489**	6,489
Merger reserve		**1,997**	1,997
Other reserve		**370**	458
Retained earnings		**(32,513)**	(30,629)
Total equity		**1,035**	3,007

Consolidated statement of changes in equity

for the year ended 30 September 2023

	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	—	—	—	—	—	(2,287)	(2,287)
Transactions with owners in their capacity of owners							
Share-based payments	—	—	—	—	119	—	119
Total transactions with owners	—	—	—	—	119	—	119
Total movements	—	—	—	—	119	(2,287)	(2,168)
Equity at 30 September 2022	**7,062**	**17,630**	**6,489**	**1,997**	**458**	**(30,629)**	**3,007**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2022	**7,062**	**17,630**	**6,489**	**1,997**	**458**	**(30,629)**	**3,007**
Loss and total comprehensive loss for the period	—	—	—	—	—	(2,091)	(2,091)
Transactions with owners in their capacity of owners							
Share-based payments	—	—	—	—	119	—	119
Share options lapsed	—	—	—	—	(207)	207	—
Total transactions with owners	—	—	—	—	(88)	(1,884)	(1,972)
Total movements	—	—	—	—	(88)	(1,884)	(1,972)
Equity at 30 September 2023	**7,062**	**17,630**	**6,489**	**1,997**	**370**	**(32,513)**	**1,035**

Consolidated statement of cash flows

for the year ended 30 September 2023

	2023	2022
	£'000	£'000
Cash flows from operating activities		
Loss before taxation	**(2,566)**	(2,608)
Adjustments for:		
Depreciation – IFRS data centre right of use assets	**879**	530
Depreciation – other right of use assets	**87**	50
Depreciation – owned assets	**162**	114
Amortisation	**1,285**	1,286
Share-based payments	**119**	119
Net finance expense	**809**	771
Costs relating to acquisitions	**—**	58
Movements in provisions	**(140)**	(153)
Decrease / (increase) in trade and other receivables	**414**	(1,064)
Decrease / (increase) in inventories	**88**	(79)
(Decrease) / increase in trade payables, accruals and contract liabilities	**(298)**	2,014
Net cash inflow / (outflow) from operating activities before acquisition costs	**839**	1,038
Costs relating to acquisitions	**—**	(58)
Net cash inflow / (outflow) from operating activities	**839**	980
Cash flows from investing activities		
Purchase of property, plant and equipment (Note 10)	**(346)**	(115)
Acquisitions net of cash acquired	**—**	497
Payment of deferred consideration relating to acquisitions	**(50)**	(180)
Interest received	**4**	—
Net cash inflow / (outflow) from investing activities	**(392)**	202
Cash flows from financing activities		
Repayment of COVD-19 bounce-back loan	**(22)**	(18)
Payment of lease liabilities	**(1,118)**	(813)
Interest paid	**(29)**	(18)
Net cash (outflow) / inflow from financing activities	**(1,169)**	(849)
Net increase in cash	**(722)**	333
Cash at bank and in hand at beginning of period	**1,516**	1,183
Cash at bank and in hand at end of period	**794**	1,516
Comprising:		
Cash at bank and in hand	**794**	1,516

Notes to the consolidated financial statements

1. General information

CloudCoCo Group plc is a public limited company incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is given on the back cover of this report. 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 (rounded to the nearest thousand (£'000)) 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 UK-adopted international accounting standards. 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 2023 totalling £1.0 million compared to £3.0 million at the end of FY22. This reduction being mainly impacted by non-cash adjustments of £1.3 million of amortisation relating to intangible assets and £0.5 million of deferred interest relating to the loan note during the year.

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 Strategic Report. Despite continued uncertainty and disruption as a result of the cost of living crisis together with the ongoing restructuring of the originally distressed Connect business, the Group reported a 19% percent improvement in underlying profitability as measured by Trading Group EBITDA[1] (2023: £1.9 million; 2022: £1.6 million). Cash inflow from operating activities before acquisition costs was £0.8 million (FY22: £1.0 million) although cash balances overall reduced by £0.7million.

The Strategic Report describes the risks associated with the Group's activities which are reviewed by the Directors on a regular basis. The key operational risk the Group faces is the general economic outlook including the energy costs crisis and uncertainty caused by high inflation rate and the cost of living crisis.

In assessing the Group's ability to continue as a going concern, the Directors have reviewed the forecast sales growth, budgets and cash projections for the period to 30th April 2025, including sensitivity analysis on the key assumptions such as the potential impact of reduced sales or slower cash receipts, for the next twelve months.

Based on these assumptions, 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 financial statements and accordingly 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

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

- International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
- Amendments to IAS 1 - Lease Liability in a Sale and Leaseback - Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
- Lack of exchangeability – Amendments to IAS 21
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, Amendments to IFRS 10/IAS 28

1.3 New standards and interpretations of existing standards that are not yet effective and have not been adopted early by the Group

The new standards or amendments that may be applicable to the 2024 financial statements are as follows

- IAS 1: Changes regarding the classification of liabilities and accounting for covenants.
- IFRS 16: Updates related to lease liability in sale and leaseback transactions.

None of these are expected to have a material impact on the Group.

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. Refer to principal accounting policy (k) for a description of impairment testing procedures.

c) Revenue and revenue recognition

Revenue arises from the sale of goods and the rendering of services as they are 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, data centre locations, network connectivity 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 goods 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 evenly 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 at the point in time when the customer obtains control of the goods. Revenue from the sale of software with no significant service obligation is recognised on delivery at a point in time as this is when the customer takes possession and is able to use the software.

Rendering of services

The Group generates revenues from managed services, data centre services, support services, maintenance, resale of telecommunications and professional services ("Managed IT Services"). Consideration received for these services is initially deferred (when invoiced in advance), included in accruals and contract liabilities and recognised as revenue in the period when the service is performed and the performance obligation fulfilled.

Revenue from the delivery of professional services is recognised over the period of the project and measured on a time-based method using hourly rates.

Contracts for managed IT services are usually 12 months in duration and are automatically renewed unless termination rights are exercised. Revenue is recognised equally over the term of the contract as this fairly reflects the delivery of services to the customer.

Sales commission and third-party costs (where relevant) relating to these services are shown within Contract Assets and are recognised equally over the duration of the contractual term, in line with when the customer benefits from the services. Internal technical resources utilised in setting up recurring Managed IT Services over twelve months in duration are capitalised at the start of the contract within Contract Assets and spread equally over the duration of the contractual term.

d) Right of use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received and any initial direct costs incurred.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

e) Leases

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. Any variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

f) Onerous contracts

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

The recognition of the onerous contract liability is based on a reliable estimate of the expected costs and benefits of the contract. This estimate takes into account all relevant information, including the terms and conditions of the contract, market conditions, and the company's own experience.

g) Exceptional items and Plc costs

Non-recurring items which are material either because of their size or their nature, are highlighted separately on the face of the Consolidated Income Statement. The separate reporting of these items helps provide a better picture of the Group's underlying performance. Items which may be included within this category include, but are not limited to, acquisition costs, spend on the integration of significant acquisitions and other major restructuring or rationalisation programmes, significant goodwill or other asset impairments and other particularly significant or unusual items.

Exceptional items are excluded from the headline profit measures used by the Group and are highlighted separately in the Consolidated Income Statement as management believe that they need to be considered separately to gain an understanding of the underlying profitability of the trading businesses.

Note 4 contains more detail on exceptional items.

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

h) Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

The allocation of fair values to the tangible assets and the identification and valuation of intangible assets requires judgement in the selection of appropriate valuation techniques and inputs and affect the goodwill and the assignment of that to each cash generating unit, recognised in respect of the acquisitions.

Judgement was also applied in determining whether contracts for dark fibre connections included the lease of identifiable assets for which a right of use asset and lease liability should be recognised. The directors concluded that except for last mile connections (if any) between the supplier's core network and the company's customer, the company did not have control over the use of specific fibres or utilise a significant proportion of the supplier's core network.

Judgement has been applied in the analysis of agreements relating to the lease of data centre assets including the impact of termination and extension options on the lease term. Management have exercised judgement in assessing the recoverability of right of use assets, or provision for onerous operating leases, for each of the lease arrangements relating to data centre assets.

Judgement has also been applied in the measurement of the economic benefit to be received when testing for impairment of ROU assets or onerous contracts and the selection of an appropriate discount rate with which to measure the provision described in Note 11.

Intangible assets are non-physical assets which have been obtained as part of an acquisition and which have an identifiable future economic benefit to the Group at the point of acquisition. Customer bases are valued at acquisition by measuring the estimated future discounted cash flows over a ten-year period from the date of acquisition, depending on class and date of acquisition and assuming a diminution for retention rate specific to each customer base, calculated using the average actual retention rate over the prior three or five-year period. All future cash flows are discounted using a discount rate, based on the internal rate of return for each asset, calculated over its useful economic life.

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. A reconciliation between the non-statutory measure of Trading Group EBITDA[1] and the statutory operating loss is shown in the Income Statement. 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 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 CODM's 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 More Computers e-commerce platform.

All revenues are derived from customers within the UK and no customer accounts for more than 10% of external revenues in both financial years. Inter-category 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. In order to simplify our reporting of revenue, we condense our reporting segments into two 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[1] is reported as a single segment.

3.1.1 Revenue

	2023	2022
Managed IT Services	**17,977**	17,056
Value added resale	**7,976**	7,137
Total Revenue	**25,953**	24,193

3.1.2 Revenue

	2023	2022
Recognised over time	**16,670**	16,187
Recognised at a point in time	**9,283**	8,006
Total Revenue	**25,953**	24,193

4. Exceptional Items

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

	2023	2022
Costs relating to acquisitions	**—**	(58)
Costs relating to re-finance of the loan notes	**(28)**	—
Dilapidations costs	**—**	(46)
Run-off costs relating to discontinued data centre services	**(92)**	(138)
Costs relating to onerous contracts settled in the year	**(54)**	—
Integration and restructure costs	**(103)**	(320)
Exceptional items	**(277)**	(562)

Integration and restructure costs relate to notice period, redundancy, holiday pay and severance payments made to staff whose roles were duplicate or whose employment was terminated during the year as part of the internal reorganisation. Run-off costs relating to discontinued data centre services contain unrecoverable operating expenses incurred during the year for data centre racks that were empty on acquisition. Costs associated with exploring options relating to the search for re-finance of the loan notes have also been separately identified as have costs relating to onerous contracts settled during the year.

5. Operating loss

	2023	2022
	£'000	£'000
Operating loss is stated after charging:		
Depreciation of owned assets	**162**	50
Depreciation of right of use assets	**966**	644
Short life lease expense: IFRS16 data centre short-life leases	**946**	1,538
Amortisation of intangibles	**1,285**	1,286
Auditor's remuneration:		
– Audit of parent company	**30**	53
– Audit of subsidiary companies	**60**	106

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:

	2023	2022
	£'000	£'000
Interest income resulting from short-term bank deposits	**4**	1
Finance income	**4**	1
Interest expense resulting from:		
Lease liabilities	**205**	75
Interest on borrowings	**7**	17
Loan Note interest	**601**	651
Unwinding of the discount on provisions	**—**	29
Finance costs	**813**	772

Loan Note interest includes £547,000 (2022: £526,000) which is accrued and is only payable when the loan notes are repaid at the end of their term. The original repayment date was 21 October 2024. On 29 April 2024, the repayment date for the loan notes were subsequently extended to 31 August 2026. Further details are provided in Note 13.

7. Income tax

	2023	2022
	£'000	£'000
Current tax		
Current tax		—
UK corporation tax for the period at 22% (2022: 19%)	**—**	
Deferred tax		321
Deferred tax credit on intangible assets	**475**	321

The tax expense actually recognised in the Consolidated Income Statement can be reconciled as follows:

	2023	2022
	£'000	£'000
Loss for the year before tax:	**(2,359)**	(2,608)
Tax rate	**22%**	19%
Expected tax credit	**(519)**	(496)
Adjusted for:		
Non-deductible expenses	**(10)**	57
Differences in tax rates	**(28)**	(1)
Recognition of deferred tax assets	**(238)**	—
Movement in unprovided deferred tax relating to losses	**320**	150
Short-term timing differences	**—**	(31)
Total tax credit for the year	**(475)**	(321)

The Group has unrecognised deferred tax assets in respect of tax losses carried forward totalling £4,961,000 (2022: £2,824,000). There are no restrictions in the use of tax losses. Deferred tax assets remain unrecognised until it becomes probable that the underlying deductible temporary differences will be able to be utilised against future taxable income. The substantively enacted tax rate increased from 19% to 25% with effect from 1 April 2023. Accordingly, a blended rate of 22.01%, calculated as an average monthly rate over the financial year is applied in the measurement of deferred tax for the year as reflected in the table above.

8. Loss per share	**2023**	2022
	£'000	£'000
Loss attributable to ordinary shareholders	**(2,091)**	(2,287)
Weighted average number of Ordinary Shares in issue, basic and diluted	**706,215,686**	706,215,686
Basic and diluted loss per share	**(0.30)p**	(0.32)p

The weighted average number of ordinary shares for the purpose of calculating the basic and diluted measures is the same. This is because the outstanding share incentives would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive under the terms of IAS 33.

9. 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 2021	10,088	361	2,127	9,421	21,997
Business combinations	1,193	—	256	2,024	3,473
At 30 September 2022 and 30	**11,281**	**361**	**2,383**	**11,445**	**25,470**

September 2023					
Accumulated amortisation					
At 1 October 2021	**—**	**(184)**	**(1,032)**	**(4,523)**	**(5,739)**
Charge for the year	—	(18)	(123)	(1,145)	(1,286)
At 1 October 2022	**—**	**(202)**	**(1,155)**	**(5,668)**	**(7,025)**
Charge for the year	—	(18)	(122)	(1,145)	(1,285)
At 30 September 2023	**—**	**(220)**	**(1,277)**	**(6,813)**	**(8,310)**
Impairment					
At 1 October 2021	**(4,447)**	**—**	**(225)**	**(1,193)**	**(5,865)**
Charge in the year	**—**	**—**	**—**	**—**	**—**
At 1 October 2022	(4,447)	—	(225)	(1,193)	(5,865)
Charge in the year	**—**	**—**	**—**	**—**	**—**
At 30 September 2023	**(4,447)**	**—**	**(225)**	**(1,193)**	**(5,865)**
Carrying amount					
At 30 September 2023	**6,834**	**141**	**881**	**3,439**	**11,295**
At 30 September 2022	6,834	159	1,003	4,584	12,580
Average remaining amortisation period		**7.8 years**	**7.2 years**	**3.0 years**	**3.5 years**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are independent cash inflows (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 inflows. The directors concluded that at 30 September 2023, there were four CGUs being CloudCoCo Limited, CloudCoCo Connect Limited (formerly IDE Group Connect Limited), Systems Assurance Limited and More Computers 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 Board approved budget for the next twelve months, and business plan, growth rates for the next five years, 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 impairment calculations were performed using post-tax cash flows at post-tax WACC of 13.25% (FY22: 13.25%) for each CGU. The pre-tax discount rate (weighted average cost of capital) was calculated at 18% per annum (FY22:18%) and the revenue growth rate is 5% per annum (FY22: 5%) for each CGU for 5 years and a terminal growth rate of 2.3% (FY22: 2%).

Sensitivities have been run on cash flow forecasts for the CGU. Revenue growth rates are considered to be the most sensitive assumption in determining future cash flows for each 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 other key assumptions and the resultant excess (or shortfall) of discounted cash flows against the aggregate of goodwill and intangible assets.

Sensitivity analysis £'000	CloudCoCo Limited	Systems Assurance Limited	More Computers Limited	CloudCoCo Connect Limited [1]
Excess of recoverable amount over carrying value:				
Base case – headroom	696	400	251	4,583
Pre-tax discount rate increased by 1% - resulting headroom	429	360	244	4,384
Revenue growth rate reduced in years 2 to 5 by 1% per annum – resulting headroom	107	358	241	4,286

Base case calculations highlight that the impairment review in respect of CloudCoCo Limited is most sensitive to the discount rate and growth rate. Headroom was also evident when applying a growth rate of 2% in years 2 to 5 in each of the CGU's but would trigger an impairment of £918,000 in CloudCoCo Limited.

[1] formerly IDE Group Connect Limited

10. Property, plant and equipment	Right of Use Assets	IT equipment	E-commerce platform	Fixtures, fittings and leasehold improvements	Total
	£'000	£'000	£'000	£'000	£'000
Cost of assets					
At 30 September 2022	**278**	**267**	**—**	**49**	**594**
Additions	680	115	—	—	795
Modifications	378	—	—	—	378
Disposals	—	(190)	—	(20)	(210)
Business combinations	303	9	—	2	314
At 30 September 2023	**1,639**	**201**	**—**	**31**	**1,871**
Additions	1,294	199	107	40	1,640
Modifications	388	—	—	—	388
Disposals	(33)	—	—	—	(33)
At 30 September 2023	**3,288**	**400**	**107**	**71**	**3,866**
Depreciation					
At 1 October 2020	**181**	**221**	**—**	**43**	**445**
Charge for the year	644	42	—	8	694
Disposals	—	(190)	—	(20)	(210)
At 30 September 2022	**825**	**73**	**—**	**31**	**929**
Charge for the year	966	113	41	8	1,128
Disposals	(33)	—	—	—	(33)
At 30 September 2023	**1,758**	**186**	**41**	**39**	**2,024**
Net book value					
At 30 September 2023	**1,530**	**214**	**66**	**32**	**1,842**
At 30 September 2022	814	128	—	—	942

11. Provision for onerous contracts

	2023 £'000	2022 £'000
Provisions for onerous contracts – short-term element	**148**	148
Provisions for onerous contracts – long-term element	**684**	927
Provisions for onerous contracts	**832**	1,075

As part of the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) the Group become party to a number of onerous contracts for redundant dark-fibre circuits that remain under term contracts which expire over numerous accounting periods up until November 2032. The total amount payable over the term in relation to onerous contracts is £1.3 million and was reflected in the lower acquisition price paid for the business in October 2021.

	2023 £'000	2022 £'000
Opening balance	**1,075**	—
Business combinations	**—**	1,199
Payments	**(140)**	(163)
Unwinding of discount on provisions	**(103)**	39
Closing balance	**832**	`1,075

An onerous contract is one where the cost of fulfilling the contract exceeds the economic benefits that will be received. In other words, it is a contract that is expected to result in a loss. Under IFRS, we are required to recognise the expected losses from an onerous contract as a liability in the financial statements.

The recognition of the onerous liability is based on a reliable estimate of the expected costs and benefits of the contract. The liability has been recognised in the opening balance sheet for Connect and has been measured at the present value of the expected future cash outflows, using a discount rate equivalent to the current risk-free rate of government bonds over the term of the onerous contracts. The provision for these contracts at 30 September 2023 were £0.8 million (2022: £1.1 million).

12. Lease Liabilities

The acquisition of the Connect business delivered with it 32 data centre locations. The majority of data centres are leased from third-party suppliers on renewable contract terms of up to 5 years in duration. Many of these data centre leases can be auto-renewed, resized or terminated in the months leading up to the end of the term, creating a new or modified leases in excess of twelve months, which then fall under IFRS16 as a right of use asset with associated lease.

During the year, the Group entered into new or modified IFRS16 right of use leases of £1.1 million. Those leases, which had less than 12 months remaining on the date of acquisition, were treated as short-term leases up until the point at which they were renewed or modified.

	2023 £'000	2022 £'000
Opening balance	**845**	97
Additions	**1,294**	711
Modifications	**388**	378
Leases acquired on the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited)	**—**	397

Related interest expense	**205**	75
Repayment of lease liabilities	**(1,118)**	(813)
Closing balance	**1,614**	845

	2023	2022
	£'000	£'000
Current	**1,138**	733
Non-current	**476**	112
	1,614	845

The total cash outflows from leases (including lower value and short-life leases) in the financial year was £2,064,000 (2022: £2,351,000) of which £946,000 relates to short-life leases (2022: £1,538,000).

13. Financial instrument

As part of a loan Note consolidation on 21 October 2019, the Company agreed to modify a loan Note originally provided to Business Growth Fund ("BGF") on 26 May 2016. The original loan Note contained a provision for share options which were immediately exercised. The directors considered 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, was derecognised and recorded in equity.

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 (UK) 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. On 29 April 2024, the repayment date for the loan notes was subsequently extended to 31 August 2026. Further details are provided in Note 15.

14. Net debt – *net debt comprises:*	**2023**	Cash movements	Other movements	2022
	£'000	£'000	£'000	£'000
Loan notes (see Note 13)	**5,242**	—	684	4,558
COVID-19 Bounce-back loans	**60**	(22)	—	82
Deferred consideration	**102**	(50)	—	152
Lease liabilities	**1,614**	(1,118)	1,887	845
Cash and cash equivalents	**(794)**	722	—	(1,516)
Total	**6.224**	(468)	2,571	4,121

15. Post Balance Sheet events

On 29 April 2024, MXC Guernsey Limited ("MXCG") agreed to extend the redemption date of the loan notes detailed in Note 21 from 21 October 2024 to 31 August 2026. Interest will continue to accrue on the loan notes at the current rate until redemption. All other terms of the loan notes remain the same.

As consideration for the extension, effective from 22 October 2024, MXCG will charge the Company a fee of £550,000 for providing the extension. Payment of this fee will be deferred until the redemption of the loan notes and it will accrue interest at the same rate as the loan notes. MXCG will also have the right to

appoint a consultant to, or an Executive Director of, the Company's Board in addition to its current non-executive representative and will have the right at any time to increase its loan security in the form of a full debenture over all Group Companies.