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.

27 June 2024

CloudCoCo Group plc

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

Interim 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 interim results for the six months ended 31 March 2024 ("H1 2024").

Financial highlights:

- Revenue increased by 11% to £14.3 million (H1 2023: £12.9 million), of which 62% was generated from Managed Services (H1 2023: 70%)
- E-commerce revenues from MoreCoCo increased 125% to £3.6 million (H1 2023: £1.6 million)
- Gross profit remained stable at £4.3 million (H1 2023: £4.3 million), a reduced margin of 30% (H1 2023: 34%) as a result of the increase in e-commerce and other one-time revenues which typically command a lower margin
- Continued focus on saving costs and increasing efficiency, with administrative expenses reduced by 4% to £4.9 million (H1 2023 £5.1 million)
- Trading Group EBITDA[1] increased by 33% to £1.2 million (H1 2023: £0.9 million)

Operational highlights:

- 24 new "logo" customers added in the half (H1 2023: 27), reflecting the continued investment into the Group's sales and marketing functions
- New multi-year customer wins including Support Warehouse, Allied Services Limited and High Availability Hosting Limited
- Increase in Cyber Security revenues driven by real-time threat reporting and management
- Strategic partnerships with Ingram Micro and Solace Global Cyber continue to enhance the Group's capabilities and create new revenue opportunities
- Continued improvement in customer satisfaction levels currently sitting at 97.8% at June 2024
- ISO27001:2022 Accreditation extended across all Managed Services businesses

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

Ian Smith, consultant to the Board and Interim CEO of the Group's trading entities, commented:

"These interim results do not reflect the period of my tenure, but they do highlight a number of the challenges that the business faces and which we will work on resolving to ensure the Company can meet its liabilities and is able to look to the future with confidence."

Contacts:

CloudCoCo Group plc Simon Duckworth (Non-Executive Chair) Darron Giddens (CFO)	Via Alma
Allenby Capital Limited - (Nominated Adviser & Broker) Jeremy Porter/Daniel Dearden-Williams (Corporate Finance) Tony Quirke/Amrit Nahal (Equity Sales)	Tel: +44 (0)20 3328 5656
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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

I am pleased to report our interim results for the period ended 31 March 2024.

During the period under review we have continued to focus on three key strategic objectives:

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

Despite ongoing economic headwinds, we have remained focussed, delivering growth in revenues and Trading Group EBITDA[1]. Further details of trading during the six months ended 31 March 2024 are set out in the Business Review below.

As reported in the 2023 full year accounts, much of the first six months of FY24 were spent exploring options to refinance the legacy loan notes, which under the original terms were due for repayment in October 2024. This was concluded on 29 April 2024 when we reached agreement with our existing loan note holder, MXC Guernsey Limited ("MXC"), to extend the redemption date of the loan notes to 31 August 2026.

At the same time, Mark Halpin stepped down from the Board and his position as CEO and Ian Smith (CEO of MXC Capital Limited, the parent of MXC) joined CloudCoCo, initially as a consultant to the Board, acting as Interim CEO of the Group's trading entities.

Ian's initial remit is to carry out a full strategic review of the Group, in order to advise the Board on where the value sits within the business and how that value can be maximised to improve the Group's trading performance and financial position. MXC remains supportive both as a shareholder and loan note provider. However, it is clear that the loan notes will not be able to be repaid within the required period via operating cash flows and so we continue to work with MXC to find the best solution for the repayment of the loan notes.

The Group is complex and it is taking time to analyse all of the data into the four business units we believe best reflect the services provided, namely Managed Services, Infrastructure Services, Telecoms and Product. This analysis will help determine the core and non-core elements of the Group and will underpin the value maximisation work referred to above. Going forward, we hope to be able to provide further reporting in each of these units.

This work is ongoing and we will update shareholders as we progress. We understand this has been a prolonged period of uncertainty and want to reassure investors we are are committed to navigating it with determination and transparency.

In our daily activities, we are continuing with a "business as usual" approach, focussing on sales and pipeline generation across all of the Group's revenue streams. Despite the challenging economic environment we continue to operate in, which is impacting the purchasing decisions of certain of our customers, we had some pleasing new business wins during the period and continue to build a solid pipeline. Mindful of the broader economic realities, and to improve our working capital position, we continue to reduce costs within the business wherever possible to ensure we are as efficient as we can be.

I would like to thank our staff for their continued commitment during this transitional period and their hard work in retaining key clients and delivering high customer satisfaction levels.

With the continued support of our staff, customers and suppliers, we look forward to making continued steady progress in the second half of the financial year.

Simon Duckworth
Chairman

BUSINESS REVIEW

Organic Growth

From a sales perspective, we are pleased to report that we secured 24 new logo customers in the period (H1 2023: 27) with the majority of these taking multi-year Managed Services contracts across the breadth of our offering.

We continue to see the effect of increases in cost of living, energy prices and interest rates in the UK ripple through the economy. This has been particularly prevalent in the IT industry, where we have seen unprecedented vendor price increases. This has put pressure on customers and Managed Service providers like CloudCoCo which has inevitably led to increased prices for some services towards the end of H1 2024 and moving into H2 2024. Our recurring contracts allow us to pass third party price increases on to customers which has led to some cancellations during the period but we have managed to increase revenues overall by leveraging our e-commerce platform.

Whilst demand for remote support, cyber security and cloud-based services remains buoyant, customers are rationalising physical and on-premise services where they can. As a result, we have seen a steady downturn in new connectivity and data centre opportunities as the services most impacted by supplier price increases. This is a clear area of focus for our ongoing strategic review.

Delivering excellent support levels remains key to winning and retaining customers. We are delighted to report consistently high customer satisfaction scores for our services, which have been in excess of 95% during the period and are currently sitting at 97.8% in June 2024.

In order to differentiate ourselves, we have been looking for ways to introduce new technology and drive efficiencies into the services we provide to our customers. We are also continuing to work with our strategic partners to identify areas where AI can play an increasing role in improving the way technology services are delivered.

People

Our decision to recruit experienced industry specialists during the first half of the year delivered new services and successes to the Group in the multi-cloud and cyber security sectors. We encourage our specialists to build an expert practice within our business, and actively engage with our existing customer base. This activity has led to a number of new multi-year recurring contracts and an increased pipeline of orders.
We have made progress in simplifying the structure of the business and aligning services to better support our customers and this activity will continue for the remainder of the financial year.

Results

Revenue increased by 11% to £14.3 million (H1 2023: £12.9 million). Whilst 62% of revenues were generated from Managed Services (H1 2023: 70%), we continue to see customers investing in new hardware and technology by purchasing value-added resales services.

We are seeing an increasing number of these value-added resale sales being transacted via our e-commerce platform (morecoco.co.uk), which has seen revenue growth of 125% during this half-year to £3.6 million (H1 2023: £1.6 million). Whilst the gross margin on e-commerce sales is lower, this is offset by a lower cost of operational delivery.

As a result, gross profit remained stable in this half year at £4.3 million (H1 2023: £4.3 million), representing a gross margin of 30% of revenue (H1 2023: 34%). This reduction reflects the change in the mix of business described above and the increased ratio of third-party suppliers (such as Microsoft) in our solutions.

The internal focus on achieving cost savings and increasing efficiencies within our operations saw administrative expenses reduce by 4% to £4.9 million in the period (H1 2023 £5.1 million), with Trading Group EBITDA[1], increasing to £1.2 million for the half-year (H1 2023: £0.9 million).

In order to fix prices in some of our data centre locations, we entered into a number of new term lease agreements with key providers such as Equinix, Pulsant and Virtus. This allowed us to negotiate new terms and freeze prices for a period instead of enduring variable prices as a result of power price fluctuations. These new longer-term leases are reflected in an increase in the Depreciation of IFRS16 data centre leases to £0.6 million in this half year period (H1 2023: £0.4 million).

After accounting for these depreciation costs, together with plc costs of £0.5 million (H1 2023: £0.4 million), exceptional items and share-based payments of £0.2 million (H1 2023: £0.1 million), amortisation and other depreciation of £0.6 million (H1 2023: £0.7 million) and accrued net interest costs of £0.5 million (H1 2023: £0.4 million), the loss before taxation for the period was £1.2 million (H1 2023: loss of £1.2 million).

The Group incurred a net cash outflow during the period of £0.2 million, compared to the balance reported at 30 September 2023. The main components being:

- Cash inflow generated from operating activities of £0.7 million (H1 2023 £0.3 million);
- Payments of lease liabilities including IFRS16 data centre leases of £0.8 million (H1 2023: £0.5 million); and
- Cash outflow from investment in assets, interest payments and payment of deferred consideration totalling £0.1 million (H1 2023: £0.1 million).

Outlook

We have made some headway in terms of accelerating sales and delivering excellent customer support levels during the year and this work will continue. In addition, we have identified a number of operational efficiencies and savings that have been implemented that will help to drive down our costs and will in turn improve cashflow to help strengthen our financial position. We will continue our efforts to grow and improve the business by building on the foundations we have created to date.

Darron Giddens
27 June 2024

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

Consolidated income statement

for the six-month period ended 31 March 2024

	Note	**Unaudited 6 months to 31 March 2024**	Unaudited 6 months to 30 September 2023	Unaudited 6 months to 31 March 2023	Audited Year to 30 September 2023
		£'000	£'000	£'000	£'000
Continuing operations					
Revenue	3	**14,280**	13,030	12,923	25,953
Cost of sales		**(9,966)**	(8,928)	(8,580)	(17,508)
Gross profit		**4,314**	4,102	4,343	8,445
GP%		**30%**	31%	34%	33%
Administrative expenses		**(5,014)**	(5,072)	(5,130)	(10,202)
Trading Group EBITDA[1]		**1,226**	1,014	901	1,915
Amortisation of intangible assets	6	**(430)**	(642)	(643)	(1,285)
Plc costs[2]		**(455)**	(466)	(397)	(863)
Depreciation of IFRS16 data centre right of use assets		**(650)**	(479)	(400)	(879)
Depreciation of tangible assets and other right of use assets		**(156)**	(163)	(86)	(249)
Exceptional items	4	**(159)**	(178)	(99)	(277)
Share-based payments		**(76)**	(56)	(63)	(119)
Operating loss		**(700)**	(970)	(787)	(1,757)
Interest receivable		**5**	3	1	4
Interest payable		**(493)**	(375)	(438)	(813)
Loss before taxation		**(1,188)**	(1,342)	(1,224)	(2,566)
Taxation		**107**	314	161	475
Loss and total comprehensive loss for the year attributable to owners of the parent		**(1,081)**	(1,028)	(1,063)	(2,091)
Loss per share					
Basic and fully diluted	5	**(0.15)p**	(0.15)p	(0.15)p	(0.30)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 2024

	Note	**Unaudited 31 March 2024 £'000**	Unaudited 31 March 2023 £'000	Audited 30 September 2023 £'000
Non-current assets				
Intangible assets	6	**10,865**	11,937	11,295
Property, plant and equipment		**259**	189	312
Right of Use assets		**1,429**	1,147	1,530
Total non-current assets		**12,553**	13,273	13,137
Current assets				
Inventories		**153**	100	76
Trade and other receivables	7	**4,280**	5,025	4,443
Contract assets	8	**550**	740	395
Cash and cash equivalents		**606**	1,275	794
Total current assets		**5,589**	7,140	5,708
Total assets		**18,142**	20,413	18,845
Current liabilities				
Trade and other payables	9	**(7,518)**	(7,406)	(6,878)
Contract liabilities		**(1,434)**	(1,767)	(1,820)
Provision for onerous contracts		**(130)**	(148)	(148)
Borrowings	10	**(69)**	(69)	(69)
Lease liability		**(1,082)**	(676)	(1,138)
Total current liabilities		**(10,233)**	(10,066)	(10,053)
Non-current liabilities				
Contract liabilities		**(310)**	(542)	(311)
Provision for onerous contracts		**(686)**	(850)	(684)
Borrowings	10	**(5,629)**	(5,112)	(5,335)
Lease liability		**(410)**	(570)	(476)
Deferred tax liability		**(844)**	(1,266)	(951)
Total non-current liabilities		**(7,879)**	(8,340)	(7,757)
Total liabilities		**(18,112)**	(18,406)	(17,810)
Net assets		**30**	2,007	1,035
Equity				
Share capital		**7,062**	7,062	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		**446**	521	370
Retained earnings		**(33,594)**	(31,692)	(32,513)
Total equity		**30**	2,007	1,035

Consolidated statement of changes in equity
for the six-month period ended 31 March 2024

	Share capital	Share premium	Capital redemption reserve	Merger reserve	Other reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'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	—	—	—	—	—	(1,063)	(1,063)
Share-based payments	—	—	—	—	63	—	63
Total movements	—	—	—	—	63	(1,063)	(1,000)
Equity at 31 March 2023	**7,062**	**17,630**	**6,489**	**1,997**	**521**	**(31,692)**	**2,007**

	Share capital	Share premium	Capital redemption reserve	Merger reserve	Other reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2023	**7,062**	**17,630**	**6,489**	**1,997**	**521**	**(31,692)**	**2,007**
Loss and total comprehensive loss for the period	—	—	—	—	—	(1,028)	(1,028)
Share-based payments	—	—	—	—	56	—	56
Share options lapsed	—	—	—	—	(207)	207	—
Total movements	—	—	—	—	(151)	(821)	(972)
Equity at 30 September 2023	**7,062**	**17,630**	**6,489**	**1,997**	**370**	**(32,513)**	**1,035**

	Share capital	Share premium	Capital redemption reserve	Merger reserve	Other reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2023	**7,062**	**17,630**	**6,489**	**1,997**	**370**	**(32,513)**	**1,035**
Loss and total comprehensive loss for the period	—	—	—	—	—	(1,081)	(1,081)
Share-based payments	—	—	—	—	76	—	76
Total movements	—	—	—	—	76	(1,081)	(1,005)
Equity at 31 March 2024	**7,062**	**17,630**	**6,489**	**1,997**	**446**	**(33,594)**	**30**

Consolidated statement of cash flows

for the six-month period ended 31 March 2024

	Unaudited 6 months to 31 March 2024	Unaudited 6 months to 30 September 2023	Unaudited 6 months to 31 March 2023	Audited Year to 30 September 2023
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Loss before taxation	**(1,188)**	(1,342)	(1,224)	(2,566)
Adjustments for:				
Depreciation – IFRS16 data centre right of use assets	**650**	479	400	879
Depreciation – other right of use assets	**77**	34	53	87
Depreciation – owned assets	**79**	129	33	162
Amortisation	**430**	642	643	1,285
Share-based payments	**76**	56	63	119
Net finance expense	**488**	372	437	809
Movements in provisions	**(135)**	(64)	(76)	(140)
Decrease / (increase) in trade and other receivables	**163**	855	(441)	414
(Increase) / decrease in inventories	**(77)**	23	65	88
Increase / (decrease) in trade payables, accruals and contract liabilities	**131**	(671)	373	(298)
Net cash inflow from operating activities before acquisition costs	**694**	513	326	839
Costs relating to acquisitions	**—**	—	—	—
Net cash inflow from operating activities	**694**	513	326	839
Cash flows from investing activities				
Purchase of property, plant and equipment	**(27)**	(252)	(94)	(346)
Payment of deferred consideration relating to acquisitions	**(25)**	(25)	(25)	(50)
Interest received	**5**	4	—	4
Net cash (outflow) / inflow from investing activities	**(47)**	(273)	(119)	(392)
Cash flows from financing activities				
Repayment of COVID-19 bounce-back loan	**(10)**	(12)	(10)	(22)
Payment of lease liabilities	**(813)**	(700)	(418)	(1,118)
Interest paid	**(12)**	(9)	(20)	(29)
Net cash outflow from financing activities	**(835)**	(721)	(448)	(1,169)
Net (decrease) / increase in cash	**(188)**	(481)	(241)	(722)
Cash at bank and in hand at beginning of period	**794**	1,275	1,516	1,516
Cash at bank and in hand at end of period	**606**	794	1,275	794
Comprising:				
Cash at bank and in hand	**606**	794	1,275	794

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 2024 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 30 June 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 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.

3.1.1 Revenue

	Unaudited 6 months to 31 March 2024 £'000	Unaudited 6 months to 30 September 2023 £'000	Unaudited 6 months to 31 March 2023 £'000	Audited Year to 30 September 2023 £'000
By operating segment				
Managed IT Services	**8,819**	8,900	9,077	17,977
Valued Added Resale	**5,461**	4,130	3,846	7,976
Total revenue	**14,280**	13,030	12,923	25,953

3.1.2 Revenue

	Unaudited 6 months to 31 March 2024 £'000	Unaudited 6 months to 30 September 2023 £'000	Unaudited 6 months to 31 March 2023 £'000	Audited Year to 30 September 2023 £'000
By revenue type				
Recognised over time	**7,836**	7,892	8,778	16,670
Recognised at a point in time	**6,444**	5,138	4,145	9,283
Total revenue	**14,280**	13,030	12,923	25,953

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 2024 £'000	Unaudited 6 months to 30 September 2023 £'000	Unaudited 6 months to 31 March 2023 £'000	Audited Year to 30 September 2023 £'000
Costs relating to re-finance of the loan notes	**(30)**	(28)	—	(28)
Run-off costs relating to discontinued data centre services	**(92)**	(56)	(36)	(92)
Costs relating to onerous contracts settled in the year	**(27)**	(54)	—	(54)
Integration and restructure costs	**(10)**	(40)	(63)	(103)
Exceptional items	**(159)**	(178)	(99)	(277)

5. Loss per share

	Unaudited 6 months to 31 March 2024 £'000	Unaudited 6 months to 30 September 2023 £'000	Unaudited 6 months to 31 March 2023 £'000	Audited Year to 30 September 2023 £'000
Loss attributable to ordinary shareholders	**(1,081)**	(1,028)	(1,063)	(2,091)
	Number	**Number**	**Number**	**Number**
Weighted average number of Ordinary Shares in issue, basic and diluted	**706,215,686**	706,215,686	706,215,686	706,215,686
Basic and diluted loss per share	**(0.15)p**	(0.15)p	(0.15)p	(0.30)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 31 March 2023, 30 September 2023 and 31 March 2024	**11,281**	**361**	**2,383**	**11,445**	**25,470**
Accumulated amortisation					
At 1 October 2022	—	**(202)**	**(1,155)**	**(5,668)**	**(7,025)**
Charge for the period	—	(9)	(61)	(573)	(643)
At 31 March 2023	**—**	**(211)**	**(1,216)**	**(6,241)**	**(7,668)**
Charge for the period	—	(9)	(61)	(572)	(642)
At 30 September 2023	**—**	**(220)**	**(1,277)**	**(6,813)**	**(8,310)**
Charge for the period	—	(9)	(61)	(360)	(430)
At 31 March 2024	**—**	**(229)**	**(1,338)**	**(7,173)**	**(8,740)**
Impairment					
At 31 March 2023, 30 September 2023 and 31 March 2024	**(4,447)**	**—**	**(225)**	**(1,193)**	**(5,865)**
Carrying amount					
At 31 March 2024	**6,834**	**132**	**820**	**3,079**	**10,865**
At 30 September 2023	6,834	141	881	3,439	11,295
At 31 March 2023	6,834	150	942	4,011	11,937
Average remaining amortisation period		**7.3 years**	**6.7 years**	**4.3 years**	**4.7 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 31 March 2024, 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% (H1 2023: 13.25%) for each CGU. The pre-tax discount rate (weighted average cost of capital) was calculated at 18% per annum (H1 2023:18%) and the revenue growth rate is 5% per annum (H1 2023: 5%) for each CGU for 5 years and a terminal growth rate of 2% (H1 2023: 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	723	444	269	5,112
Pre-tax discount rate increased by 1% - resulting headroom	482	407	270	4,879
Revenue growth rate reduced in years 2 to 5 by 1% per annum – resulting headroom	124	410	237	4,784

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 £500,000 in CloudCoCo Limited.

7. Trade and other receivables

	Unaudited 31 March 2024 £'000	Unaudited 31 March 2023 £'000	Audited 30 September 2023 £'000
Trade receivables	**2,581**	3,217	2,821
Other debtors	**105**	207	76
Prepayments	**1,594**	1,601	1,546
Trade and other receivables	**4,280**	5,025	4,443

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. Contract assets

	Unaudited 31 March 2024 £'000	Unaudited 31 March 2023 £'000	Audited 30 September 2023 £'000
Contract assets	**550**	740	395

Contract assets relate to the Group's right to consideration in respect of goods or services that the Group has transferred to a customer. Contract assets are linked to recurring Managed IT services revenues.

9. Trade and other payables

	Unaudited 31 March 2024 £'000	Unaudited 31 March 2023 £'000	Audited 30 September 2023 £'000
Trade payables	**6,047**	5,325	5,655
Accruals	**636**	1,424	512
Other taxes and social security costs	**835**	657	711
Trade and other payables	**7,518**	7,406	6,878

10. Borrowings

10.1 Current

	Unaudited 31 March 2024 £'000	Unaudited 31 March 2023 £'000	Audited 30 September 2023 £'000
COVID-19 Bounce-back loan repayable – short-term element	**19**	19	19
Deferred consideration relating to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) - short term element at Fair Value	**50**	50	50
	69	69	69

10.2 Non-current	**Unaudited 31 March 2024 £'000**	Unaudited 31 March 2023 £'000	Audited 30 September 2023 £'000
Loan notes repayable in August 2026	**5,498**	4,932	5,242
COVID-19 Business Bounce-back loan repayable – long-term element	**35**	54	52
Deferred consideration relating to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) - long term element at Fair Value	**96**	126	41
	5,629	5,112	5,335

On 29 April 2024, MXC Guernsey Limited ("MXCG") agreed to extend the redemption date of the loan notes 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.

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.

10.3 Net debt – net debt comprises:	**31 March 2024 £'000**	Cash movements £'000	Other movements £'000	31 March 2023 £'000
Loan notes	**5,498**	—	566	4,932
COVID-19 Bounce-back loans	**54**	(19)	—	73
Deferred consideration relating to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) - Fair Value	**146**	(50)	20	176
Lease liabilities	**1,492**	(1,513)	1,759	1,246
Cash and cash equivalents	**(606)**	669	—	(1,275)
Total	**6,584**	(913)	2,345	5,152

END