31 March 2025

CloudCoCo Group plc

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

Final Results

CloudCoCo (AIM: CLCO), a growth-focused technology business specialising in IT procurement solutions via its direct sales team and e-commerce platform at www.morecoco.co.uk, is pleased announce its full year results for the year ended 30 September 2024 ("FY 2024").

Highlights:

- Revenue increased by 6% to £27.5 million (FY23: £25.9 million), of which 27% was generated by E-commerce sales channels (FY23: 14%)
- Post period-end: Completed the sale of CloudCoCo Limited and CloudCoCo Connect Limited on 31 October 2024, for an initial £7.75 million, enabling full repayment of £6.2 million MXC loan notes and strengthening the balance sheet with minimal debt
- Currently exploring new areas for expansion, particularly in consultancy and investment, to broaden our revenue base and accelerate the path to sustainable profitability
- E-commerce Revenues doubled to £7.4 million (FY23: £3.7 million), driven by rising demand for gaming and IT hardware
- Trading Group EBITDA[1] of £1.6 million down 16% from £1.9 million as a result of sector challenges
- Gross profit reduced by 10% to £7.6 million (FY23: £8.4 million), a margin of 28% (FY23: 33%)
- Cash at bank of £1.0 million (FY23: £0.8 million).

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

Simon Duckworth, Chairman of CloudCoCo, commented:

"2024 marked a pivotal year in our company's evolution. The decision to sell a significant portion of our trading assets was necessary to repay the loan notes but also value-enhancing for our shareholders. Since the sale, we've seen promising growth in the trading business, led by Peter Nailer. While the current business is both viable and growing, it is not yet sufficient to fully support the associated plc costs. We continue to look for new opportunities—particularly in consultancy and investment—to create a broader, scalable platform for long-term growth."

The Company's Annual Report is available on the Company's website and will be posted to shareholders today along with notice of the Annual General Meeting to be held on 28 April 2025. Copies of these documents are available on the Company's website at www.cloudcoco.co.uk.

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About CloudCoCo

CloudCoCo is a streamlined, growth-focused technology business based in Sheffield. Combining expert IT procurement solutions through Systems Assurance with the scalable e-commerce capabilities of MoreCoCo, helping organisations deliver enhanced efficiency, security, and agility. Backed by strong vendor partnerships and a team of industry specialists, we deliver tailored solutions and next-day access to thousands of IT products.

www.cloudcoco.co.uk

Chairman's statement

Introduction

I am pleased to present the annual results for CloudCoCo Group plc for the year ended 30 September 2024, a transformative year in our company's journey. This year, we made a pivotal strategic decision to divest our IT managed services businesses, CloudCoCo Limited and CloudCoCo Connect Limited, marking a significant shift in our operational focus and positioning us for a growth-oriented future with a strengthened financial position with minimal debt.

Strategic Transformation

The sale of our IT managed services businesses, which completed post year end, was a carefully considered decision. While we recognised the potential to grow these divisions, the Managed IT Services sector faced mounting challenges, including rising energy costs, downward pricing pressures, and increasing customer churn. Additionally, the trend of customers leaving data centres due to escalating hosting costs further highlighted structural challenges for our business model.

By divesting these businesses for a cash consideration of approximately £7.75 million, we successfully repaid outstanding debts, including the MXC Loan Notes, and avoided an associated £550,000 re-arrangement fee. This decisive action left the Group with an improved balance sheet with working capital to invest in our remaining operations.

While the sale marked the end of an era, it also paved the way for a more focused and scalable growth strategy centered on our e-commerce platform and IT product reseller business. This decision reflects our unwavering commitment to delivering long-term shareholder value and ensures the Group is well-positioned to navigate the rapidly evolving technological landscape.

A New Focus

Following the sale, CloudCoCo Group is leaner, more agile, and singularly focused on scaling our e-commerce and IT procurement businesses. Our e-commerce platform, generating approximately £7 million in annual revenue, provides significant opportunities for growth through direct sales, brand development, and deeper partnerships with vendors.

Our Systems Assurance business has also undergone a transformation, evolving into a specialised IT procurement and consultancy provider. With expertise in middleware solutions, cloud services, and cybersecurity, it now serves as a trusted partner for customers seeking tailored IT solutions that enhance efficiency and drive value.

Our People

Our greatest asset remains our team, whose expertise, dedication, and resilience have been instrumental during this period of transition. Although the Group is now smaller, our culture of innovation, customer-centricity, and entrepreneurial spirit remains stronger than ever. We continue to invest in our people, fostering a creative mentality that empowers them to contribute to our success. In November 2024, we appointed Peter Nailer as Managing Director of the trading business (non-Board position) to lead the team and grow the business. Accordingly, whilst he remains on hand to advise the Board, Ian Smith has ended his consultancy role with the Company and position as interim CEO.

Looking Ahead
Following the successful sale of a significant portion of our assets, CloudCoCo enters the new financial year with a stronger balance sheet, a streamlined business model, and a renewed focus on long-term growth. The decision to divest was not only necessary to repay the loan notes but has also proven to be the right one — delivering real value for shareholders and allowing the Group to refocus on its core strengths.

We are excited about the opportunities ahead. Under the leadership of Peter Nailer, our trading business is showing promising growth. While the current operations are viable and increasingly profitable, we recognise that, in their current form, they are unlikely to fully absorb the plc-level costs in the near term. As such, we are actively exploring new areas for expansion, particularly in consultancy and investment, to broaden our revenue base and accelerate the path to sustainable profitability.

Despite the broader economic challenges, we are confident in our ability to navigate the evolving market dynamics and achieve our strategic objectives. On behalf of the Board, I want to thank our shareholders, customers, and employees for their continued support. Together, we are building a stronger, more resilient business positioned for long-term success.

Simon Duckworth

Chairman
30 March 2025

Trading Review

Introduction
The year ended 30 September 2024 was marked by both significant challenges and transformative changes for CloudCoCo Group plc. While our Managed IT Services businesses faced considerable market pressures, including rising energy costs, pricing compression, and customer churn, our e-commerce and IT procurement operations demonstrated resilience and provided a solid foundation for future growth.

The decision to divest our IT managed services businesses, CloudCoCo Limited and CloudCoCo Connect Limited ("discontinued operations") was pivotal to addressing these challenges. The £7.75 million cash consideration allowed us to repay the MXC Loan Notes in full, avoid a £550,000 re-arrangement fee, and transition into a strengthened financial position with minimal debt. This restructuring has enabled us to refocus our efforts on scalable opportunities within the e-commerce and IT procurement sectors.

Managed IT Services Performance

The Managed IT Services division experienced a difficult year, with several external factors compounding the challenges, including rising energy prices that significantly impacted our cost base, downward pricing trends and increased competition from larger providers that intensified margin pressures, and growing customer churn as more clients exited data-centres due to rising hosting costs, which conflicted with our model of renting larger fixed spaces within third-party facilities.

Recognising the structural disadvantages of operating on a smaller scale in this sector, the sale of these businesses to a larger UK market player was both a strategic and necessary step. While this marked a significant change in our operations, it has better positioned the Group for long-term stability and growth.

The financial performance for the year includes contributions from both continuing and discontinued operations. In accordance with IFRS5, assets relating to the discontinued operations are shown at 30 September 2024 as Assets held for Sale. Our Trading Review will focus primarily on the continuing e-commerce business, which forms the core of the Group's ongoing operations.

Trading Performance
For the year ended 30 September 2024, the Group's total performance, including both continuing and

discontinued operations, is as follows:

- Total Revenue: £27.5 million (FY23: £26.0 million)
- Gross Profit: £7.6 million (FY23: 8.4 million)
- Trading Group EBITDA[1]: £1.6 million (FY23: £1.9 million)

The financial statements present the discontinued operations separately in accordance with IFRS 5. The continuing e-commerce business is now the primary contributor to the Group's revenue and profitability.

Discontinued Operations

The Group including the discontinued operations achieved revenues of £27.5 million in the 12 months to 30 September 2024, compared to £26 million in the year prior.

Revenues	**2024**	2023
Managed IT Services	**16,656**	17,977
Value added resale	**10,868**	7,976
Total Revenue	**27,524**	25,953

Continuing Operations Performance

Our continuing operations, comprising the e-commerce business through Systems Assurance and MoreCoCo, delivered solid performance during the year. This segment focuses on providing IT hardware, components, and related products to both business and consumer customers through our online platform.

Key highlights for the continuing operations include:

- Revenue growth driven by strong demand for IT hardware and gaming components.
- Customer engagement improved through targeted online marketing and SEO initiatives.
- Operational efficiencies achieved by optimising our platform and streamlining processes.

MoreCoCo E-Commerce Platform

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 during the year in MoreCoCo which saw sales from the site increasing 100% to £7.4m (FY23: £3.7m). This is in line with the demand across the wider e-commerce industry for technology goods.

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.

Our e-commerce platform continues to deliver consistent performance, generating annual revenues of approximately £7 million. Currently over 85% of this revenue is delivered via the Amazon Marketplace, which provides significant reach to both consumer and business customers. However, the associated costs of selling on Amazon remain high, impacting our gross margins.

Looking ahead, we aim to shift more of our sales to our own website to improve margins and enhance brand visibility. Achieving this will require investment in scalable systems and targeted marketing initiatives to drive direct traffic and conversions.

Additionally, we plan to build stronger relationships with key vendors and manufacturers. By committing to stock specific items, we can secure better pricing and manufacturer support, enhancing our competitiveness and profitability. While this approach introduces inventory risk, it also provides an opportunity to increase gross margins.

Systems Assurance
Traditionally Systems Assurance has operated as an IT solutions provider, specialising in IT procurement for business customers. Historically, a large percentage of its recurring revenues were generated from Microsoft licensing and cloud installations, but the loss of several large customers to competitors who were selling at cost saw revenues in FY24 reduce to £1.3 million compared to £2.5 million in FY23.

The Systems Assurance business has successfully adapted to market changes, evolving from a traditional IT solutions provider to an outsourced IT procurement broker. This transformation has broadened the scope of its services, which now include:

- **IT Procurement and Consultancy:** Delivering tailored purchasing solutions that optimise costs and productivity for business customers.
- **Middleware Development:** Creating seamless integrations between diverse business systems, enabling automation and real-time data communication.
- **Cloud Services and Cybersecurity:** Providing comprehensive solutions to enhance operational efficiency and protect customers from evolving threats.
- **Interactive Dashboards and Reporting:** Designing custom data insights tools that empower businesses to make informed, real-time decisions.

With its dedicated team of consultants and a history of serving large commercial and education organisations, Systems Assurance remains a key driver of value for the Group.

Strategic Focus and Future Opportunities
Post-divestment, our focus is firmly on driving growth in our remaining businesses by capitalising on scalable opportunities, including expanding direct web sales to complement the significant reach and customer access provided by third-party marketplaces like Amazon, developing white-label versions of our e-commerce platform to target professional associations and affinity marketing groups, strengthening partnerships with key manufacturers to secure better pricing and product availability, and expanding Systems Assurance's consultancy and middleware solutions to address the evolving needs of business customers.

Risks and Challenges
While the Group is well-positioned for growth, we remain conscious of challenges ahead, such as broader economic pressures impacting consumer and business spending, risks associated with holding inventory and potential obsolescence, and the competitive nature of the IT procurement and e-commerce markets; however, with a strengthened Balance Sheet and minimal debt, a lean operational structure, and a clear strategic focus, we are confident in our ability to address these challenges and drive sustainable growth.

Conclusion
The 2024 financial year was a transformative period for CloudCoCo Group plc. While the post-period divestment of our Managed IT Services businesses was necessary to repay the loan notes, it also laid the foundations for a more focused, scalable, and growth-oriented business model. Our commitment to leveraging strengths in e-commerce and IT procurement remains central to delivering value to our customers, shareholders, and stakeholders.

Looking ahead, CloudCoCo Group plc is well-positioned to drive growth within its e-commerce operations, particularly in the gaming and PC hardware sectors, which present significant opportunities for expansion. Our strategy includes enhancing our online presence through targeted marketing campaigns, broadening our product offering to include PC games and accessories, and strengthening partnerships with suppliers to secure competitive pricing and reliable availability.

To support our long-term goals, we are exploring growth opportunities in consultancy and investment, which will complement our existing operations and help drive sustainable profitability.

With a strengthened financial position and minimal debt, a streamlined structure, and a clear focus on our core operations, we are confident in our ability to achieve sustainable growth, deliver value to shareholders, and position CloudCoCo Group plc for growth in our chosen markets.

Darron Giddens
Director
30 March 2025

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

Financial review

Income Statement

Trading performance in the year for the Group (including discontinued operations) saw positive revenue growth, increasing by 6%, from £26.0 million in 2023 to £27.5 million in 2024 as we continued to focus the Group on driving sales activity across our original four core pillars of connectivity, multi-cloud, collaboration and cyber-security. Our marketing efforts for Direct Sales channels focussed mainly on the multi-cloud and cyber security markets which saw 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.

However, despite bolstering our direct sales team during the year, we saw revenues generated by Direct Sales channels fall by 11% to £20.1m (FY23: £22.3m) mainly as a result of customer's downsizing and taking services in-house, either as part of a cost-cutting exercise or in order to reduce the impact of the power price increases the UK experienced from October 2023 onwards. This was countered by the growth seen in e-commerce channels as below.

Revenues	2024	2023
Revenues generated by Direct Sales channels	**20,118**	22,280
Revenues generated by E-Commerce channels	**7,406**	3,673
Total Revenue	**27,524**	25,953

In the continuing businesses, More Computers Limited saw revenues increase by 100% to £7.4 million in the year from £3.7 million in 2023. This reflects the successful execution of certain strategies to expand market presence and customer reach in the e-commerce platform. In contrast, Systems Assurance Limited saw revenues decline by 47% to £1.3 million (FY23: £2.5 million) mainly as a result of the loss of several key customers during the year, albeit at lower gross profit margins. Revenues from continuing operations increased overall by 41% to £8.7 million in 2024, up from £6.2 million in 2023.

Revenues	2024	2023
Revenues generated by More Computers Limited (E-commerce)	**7,406**	3,673
Revenues generated by Systems Assurance Limited (Direct Sales)	**1,331**	2,518
Continuing operations	**8,737**	6,191

Revenues in the discontinued operations generated £18.8 million in 2024, 5% lower than £19.8 million in 2023. This reduction was driven mainly by the agreed hand back of the outsourced help desk service to a UK leisure company in April 2023, which accounts for £0.5 million and £0.7 million relating to customers exiting our data centre locations as a result of the increased costs of power seen since October 2023.

Revenues	2024	2023
Revenues generated by CloudCoCo Limited (Direct Sales)	**7,479**	7,264
Revenues generated by CloudCoCo Connect Limited (Direct Sales)	**11,308**	12,498
Discontinued operations	**18,787**	19,762

The Group's revenue growth highlights the potential of its e-commerce activities whilst highlighting the need to address the challenges in some direct sales areas. These results reinforce the need to continue investing in high-performing segments while addressing underperforming areas.

Cost of Sales

Although revenues increased, cost of sales also rose sharply from £17.5 million in 2023 to £19.9 million in 2024. The high proportion of cost of sales relative to revenues reflects the significant contribution of third-party products and services to the overall revenue, as well as rising data-centre costs for space and power. In some data centre locations, we experienced increased power costs in excess of 250% during the year mentioned above.

Growing revenues through our low-touch e-commerce platform allows us to remain competitive in the fast-paced, price-sensitive IT hardware market. However, sales made via the Amazon marketplace incur seller fees, which can sometimes reduce gross profit margins to below 5%. In contrast, sales through our direct website, morecoco.co.uk, achieve higher gross profit margins but require marketing investment to drive customer traffic.

Gross Profit

Outside of volume-related factors, the rising data centre costs impacted gross profit margins and also led to cancellations or reduced gross profit margins at contract renewal date. While cancellations lower "in-rack" power usage, fixed cooling costs per rack increase the cost per unit for remaining customers.

The rise in cost of sales negatively impacted overall gross profit, which declined from £8.4 million in 2023 to £7.6 million in 2024. Gross profit margins also fell, from 32.5% of revenue in 2023 to 27.7% in 2024. As noted earlier, the higher mix of sales through the e-commerce platform lowered gross margin percentages but requires less administrative overhead to deliver the service.

Administrative expenses

Administrative expenses reduced slightly in 2024 to £10.0 million compared to £10.2 million in 2023, reflecting our efforts to manage overheads despite external pressures. Whilst amortisation of intangible assets reduced by £0.4 million during the year we saw a similar increase in data centre lease rentals accounted under IFRS16. Including shared-based payments, amortisation of intangible assets and accrued interest on the loan notes, the income statement contains £1.7 million of non-cash costs (FY23: £2.0 million).

Trading Group EBITDA decreased to £1.6 million in 2024, down from £1.9 million in 2023. The reduction is largely a result of the increased operating costs and margin pressures. The analysis of revenue from each of our operating segments is shown in note 3.

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 during the year represented the larger part of our revenues, representing 61% (2023: 69%) of group revenues during the year, adding value to our customers providing specialist IT skills on-demand. This fell by £1.3 million to £16.7 million in the year, having produced £18.0 million of revenue in FY23.

Of the total Revenues, £15.7 million related to recurring contracts in 2024, down from £16.7 million in 2023. Overall recurring contracts represented 57% of the 2024 Revenue figures down from 64% in the prior year. In most instances, new customer contracts were sold for an initial period of 3 years, although existing recurring contracts allows customers to auto-renew on similar terms at each anniversary.

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 £10.9 million in FY24, increasing by £2.9 million from £8.0 million achieved in FY23. In line with the continuing trend towards online buying and next day delivery, 68% of VAR revenues were fulfilled

online via MoreCoCo, having represented 46% 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 £1.2 million (FY23: £0.9 million) and gross margin of 12% (FY23: 11%).

Operating costs and performance

Excluding plc costs of £0.8 million (FY23: £0.9 million), our operational trading overheads[2] reduced to £6.1 million (FY23: 6.5 million) as a result of cost efficiencies generated through process automation and reduced headcount.

As an employee led business, 92% (FY23: 91%) of our operational trading overheads relate to staff costs. Maintaining an optimal blend of talent and skills to serve customers effectively is key. In terms of continuing trading operations, staff costs represented 86% of trading overheads during the year (FY23: 49%).

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] reduced by £0.3 million to £1.6 million in the year (2023: £1.9 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 10). 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 included in Trading Group EBITDA.

Plc costs

Plc costs in the year reduced by £0.1 million to £0.8 million (2023: £0.9 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. This reduction mainly occurred as a result of reduced Executive Director fees offset by the increasing cost of cyber-insurance which are typical for a public company operating in the Managed IT Services sector. Insurance costs will decrease in FY25 due to the reduced risk in the continuing businesses.

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 £0.5 million (2023: £0.3 million), of which £0.4 million represents the increased run-off costs relating to dormant and discontinued data centre space acquired in the Connect business 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 £1.0 million (2023: £0.8 million). £0.9 million (2023: £0.7 million) of this was accrued interest on loan notes during the year, but settled on 31 October 2024. The remaining £0.1 million (2023: £0.1 million) relates to interest resulting from IFRS16 lease liabilities.

The Group incurred other costs including total amortisation and depreciation charges of £2.5 million (2023: £2.4 million) and recognised a share-based payments charge of £26,000 (2023: £119,000). Depreciation includes £1.4 million relating to IFRS16 data centre right of use assets (2023: 0.9 million) and £0.3 million relating to tangible assets (2023: £0.2 million). After accounting for a deferred tax credit of £0.2 million (2023: £0.5 million credit)

arising as part of business combinations, the reported loss for the year after tax was £3.0 million compared to a loss after tax for the year to 30 September 2023 of £2.1 million.

Statement of Financial Position and cash

The Group had negative net assets at 30 September 2024 totalling £2.1 million (2023: positive £1.0 million). However, this is shown before the £3.5 million gain made as a result of the sale of CloudCoCo Limited and CloudCoCo Connect Limited on 31 October 2024 as detailed in Note 14. The 30 September 2024 figures include Assets held for sale, reflecting the reclassification of balances in these subsidiaries prior to their disposal.

As at 30 September	Continuing 2024 £'000	Discontinued 2024 £'000	Group 2024 £'000	Group 2023 £'000
Non-current assets				
Intangible Assets	799	9,635	10,434	11,295
Tangible assets	89	1,531	1,620	1,842
	888	11,166	12,054	13,137
Current Assets				
Inventories	75	21	96	76
Trade and other receivables	515	3,394	3,909	4,443
Contract Assets	—	395	395	395
Cash and cash equivalents	1,042	—	1,042	794
	1,632	3,810	5,442	5,708
Total Assets	2,520	14,976	17,496	18,845
Less Total Liabilities				
Trade and other payables	(1,690)	(6,982)	(8,672)	(6,878)
Contract Liabilities	—	(1,749)	(1,749)	(2,131)
Provision for onerous contracts	—	(799)	(799)	(832)
Borrowings	(6,184)	—	(6,184)	(5,404)
Lease liability	(3)	(1,445)	(1,448)	(1,614)
Deferred Tax liability	(136)	(600)	(736)	(951)
	(8,013)	(11,575)	(19,588)	(17,810)
Net Assets before disposal	**(5,493)**	**3,401**	**(2,092)**	**1,035**
Net Assets to Continuing	**3,401**	**(3,401)**	**—**	**—**
Net Assets following disposal	**(2,092)**	**—**	**(2,092)**	**1,035**

The Group's cash position increased by £0.2 million to £1.0 million (2023: £0.8 million). The net cash inflow for the year was £0.2 million (2023: outflow £0.7 million). Current assets reduced by £0.3 million to £5.4 million, primarily due to enhanced cash collections within Trade Debtors at period end.

Total liabilities increased by £1.6 million over the period, mainly within Trade and other payables which increased by £1.8 million to £8.7 million, due to trade creditor stretch applied at year-end and extended payment plans in place within the discontinued businesses, which were subsequently transferred as part of the sale.

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

The Group had a net cash inflow during the year of £0.2 million (2023: outflow £0.7 million), the main components being:

- Cash inflow generated from operating activities of £1.5 million (2023: £0.8 million);
- Cash inflow from discontinued operations of £0.4 million;
- Payments of deferred consideration for the acquisition of the Connect business of £50,000 during the

period (2023: £50,000); and

- Investment in tangible assets of £12,000 to refresh IT equipment to drive recurring revenues and £45,000 investment in developing the new MoreCoCo e-commerce platform.
- Payments of lease liabilities of £1.5 million (2023: £1.1 million)

Contract assets held for work carried out were all held in the discontinued businesses and were re-classified as assets held for sale. Full details of the assets held for sale are included in Note 11. 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 in the year to £1.7 million (2023: £2.1 million) partly reflecting the reduction in recurring Managed IT services in the year but also the annal run-off of some contracts originally billed in advance for a five year period.

With the original term of the loan notes becoming payable on 31 October 2024, this £6.0 million liability has moved into current liabilities as part of borrowings.

Following the re-classification of assets and liabilities held for sale, the overall Net debt reduced by £1.2 million to £5.1 million. Net debt comprises cash balances of £1.0 million less the loan notes and rolled up interest of £6.0 million, together with £0.1 million deferred consideration owed for the acquisition of Connect and shown at fair value. Further details of the loans and loan notes can be found in Note 12. The loan notes were repaid in full on 31 October 2024.

Tangible assets at year-end reduced by £0.2 million (2023: increase £0.2 million) and the costs of additional capex in the year of £57k (FY23: £346k), the majority of which was incurred improving the back-end systems for MoreCoCo.

The acquisition of the Connect business in 2021 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. The balance of leases at period end totalled £1.4 million. 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. These data-centre lease liabilities were transferred together with the Connect business sold on 31 October 2024.

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

Loan Notes

As part of a finance consolidation on 21 October 2019, loan notes with a principal amount of £3.5m were acquired by a MXC Guernsey Limited ("MXCG"), 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 which was set at to 21 October 2024. Further details are provided in Note 12.

On 29 February 2024, we agreed with MXCG that in the event that the loan notes were not repaid in October 2024 that the redemption date of the loan notes would be extended to 31 August 2026, in return for a fee of £550,000 for providing the extension. Following the sale of the discontinued operations, the loan notes were repaid in full on 31 October 2024 and so the extension was not executed. Further details are included in Note 14.

Consolidated income statement

for the year ended 30 September 2024

	Note	**Group 2024 £'000**	Group 2023 £'000	**Continuing 2024 £'000**	Continuing 2023 £'000	**Discontinued 2024 £'000**	Discontinued 2023 £'000
Revenue	3	**27,524**	25,953	**8,737**	6,191	**18,787**	19,762
Cost of sales		**(19,909)**	(17,508)	**(8,238)**	(5,596)	**(11,671)**	(11,912)
Gross profit		**7,615**	8,445	**499**	595	**7,116**	7,850
Administrative expenses		**(9,951)**	(10,202)	**(1,039)**	(1,199)	**(8,912)**	(9,003)
Trading Group EBITDA [1]		**1,557**	1,915	**63**	47	**1,494**	1,868
Amortisation of intangible assets	9	**(861)**	(1,285)	**(105)**	(100)	**(756)**	(1,185)
Plc costs[2]		**(840)**	(863)	**(472)**	(469)	**(368)**	(394)
Depreciation of IFRS16 data centre right of use assets	10	**(1,392)**	(879)	**(14)**	(11)	**(1,378)**	(868)
Depreciation of tangible assets and other right of use assets	10	**(293)**	(249)	**(1)**	(1)	**(292)**	(248)
Exceptional items	4	**(481)**	(277)	**—**	—	**(481)**	(277)
Share-based payments		**(26)**	(119)	**(11)**	(70)	**(15)**	(49)
Operating loss	5	**(2,336)**	(1,757)	**(540)**	(604)	**(1,796)**	(1,153)
Interest receivable	6	**1**	4	**1**	4	**—**	—
Interest payable	6	**(1,033)**	(813)	**(14)**	(3)	**(1,019)**	(810)
Loss before taxation		**(3,368)**	(2,566)	**(553)**	(603)	**(2,815)**	(1,963)
Taxation	7	**215**	475	**20**	25	**195**	450
Loss and total comprehensive loss for the year attributable to owners of the parent		**(3,153)**	(2,091)	**(533)**	(578)	**(2,620)**	(1,513)
Loss per share							
Basic and fully diluted	9	**(0.45)p**	(0.30)p	**(0.08)p**	(0.08)p	**(0.37)p**	(0.22)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 associated professional costs.

Consolidated statement of financial position

as at 30 September 2024

		September 2024 £'000	September 2023 £'000
Non-current assets			
Intangible assets	9	**799**	11,295
Property, plant and equipment	10	**85**	312
Right of Use assets	10	**3**	1,530
Total non-current assets		**887**	13,137
Current assets			
Inventories		**76**	76
Trade and other receivables		**516**	4,443
Contract assets		—	395
Cash and cash equivalents		**1,042**	794
Current assets excluding assets held for sale		**1,634**	5,708
Assets classified as held for sale	11	**14,976**	–
Total current assets		**16,610**	5,708
Total assets		**17,497**	18,845
Current liabilities			
Trade and other payables		**(1,690)**	(6,878)
Contract liabilities		—	(1,820)
Provision for onerous contracts		—	(148)
Borrowings	12	**(6,085)**	(69)
Lease liability		**(3)**	(1,138)
Current liabilities excluding those associated with assets held for sale		**(7,778)**	(10,053)
Liabilities associated with assets held for sale		**(11,575)**	—
Total current liabilities		**(19,353)**	(10,053)
Non-current liabilities			
Contract liabilities		—	(311)
Provision for onerous contracts		—	(684)
Borrowings	12	**(100)**	(5,335)
Lease liability		—	(476)
Deferred tax liability	13	**(136)**	(951)
Total non-current liabilities		**(236)**	(7,757)
Total liabilities		**(19,589)**	(17,810)
Net assets		**(2,092)**	1,035
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		**341**	370
Retained earnings		**(35,611)**	(32,513)
Total equity (see note 14 for post balance sheet event)		**(2,092)**	1,035

Consolidated statement of changes in equity

for the year ended 30 September 2024

	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**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'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	—	—	—	—	—	(3,153)	(3,153)
Transactions with owners in their capacity of owners							
Share-based payments	—	—	—	—	26	—	26
Share options lapsed	—	—	—	—	(55)	55	—
Total transactions with owners	—	—	—	—	(29)	55	26
Total movements	—	—	—	—	(29)	55	26
Equity at 30 September 2024 (see note 14 for post balance sheet event)	**7,062**	**17,630**	**6,489**	**1,997**	**341**	**(35,611)**	**(2,092)**

Consolidated statement of cash flows

for the year ended 30 September 2024

	2024 **£'000**	2023 £'000
Cash flows from operating activities		
Loss before taxation	**(3,368)**	(2,566)
Adjustments for:		
Depreciation – IFRS data centre right of use assets	**1,392**	879
Depreciation – other right of use assets	**140**	87
Depreciation – owned assets	**153**	162
Amortisation	**861**	1,285
Share-based payments	**26**	119
Net finance expense	**1,032**	809
Movements in provisions	**(133)**	(140)
Decrease in trade and other receivables	**522**	414
(Increase) / decrease in inventories	**(20)**	88
Increase / (decrease) in trade payables, accruals and contract liabilities	**929**	(298)
Net cash inflow from operating activities	**1,534**	839
Net cash inflow from discontinued operations:	**391**	—
Cash flows from investing activities		
Purchase of property, plant and equipment (note 10)	**(57)**	(346)
Payment of deferred consideration relating to acquisitions	**(50)**	(50)
Interest received	**1**	4
Net cash outflow from investing activities	**(106)**	(392)
Cash flows from financing activities		
Repayment of COVD-19 bounce-back loan	**(16)**	(22)
Payment of lease liabilities	**(1,504)**	(1,118)
Interest paid	**(51)**	(29)
Net cash outflow from financing activities	**(1,571)**	(1,169)
Net increase / (decrease) in cash	**248**	(722)
Cash at bank and in hand at beginning of period	**794**	1,516
Cash at bank and in hand at end of period	**1,042**	794
Comprising:		
Cash at bank and in hand – assets held for sale	**855**	—
Cash at bank and in hand – continuing operations	**187**	794
Cash at bank and in hand at end of period	**1,042**	794

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 negative net assets at 30 September 2024 totalling £2.1 million (2023: positive £1.0 million). However, as detailed in Note 14 the Group sold CloudCoCo Limited and CloudCoCo Connect Limited on 31 October 2024 for initial consideration of £7.75 million, which replenished the Group's cash reserves and facilitated the full repayment of the MXC Loan Notes, leaving the Company free from long-term debt. This transaction has significantly strengthened the Group's financial position, reducing credit risk due to the more immediate cash cycle associated with the e-commerce business.

The Group remains committed to its key objectives of increasing sales, reducing costs, and returning to net cash generation at the Group level as described in the Strategic Report.

The Group continues to trade through its e-commerce platform (morecoco.co.uk) and outsourced procurement businesses, which the Directors believe provide opportunities for growth. The continuing e-commerce business and the re-focus on the Systems Assurance business is expected to generate a positive contribution towards Plc costs, which have been reduced following the restructuring. The Group remains committed to its key objectives of increasing sales, reducing costs, and returning to net cash generation.

The key operational risks the Group faces include the general UK economic outlook, rising borrowing costs, and high inflation, which could impact consumer spending and investment in IT infrastructure. However, the Directors remain confident in the e-commerce, IT hardware, and gaming components markets and have taken measures to reduce ongoing operational costs, ensuring that cash reserves can sustain the business going forward.

In assessing the Group's ability to continue as a going concern, the Directors have reviewed forecast sales growth, budgets, and cash projections for the period to 31 March 2026, including sensitivity analysis on key assumptions such as the potential impact of reduced sales or slower cash receipts. Based on these assumptions, the Directors have reasonable expectations that the Group and the Company have adequate resources to continue operations for 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

- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- IFRS S1: General Requirements for Sustainability-related Financial Disclosures
- IFRS S2: Climate-related Disclosures

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 2025 financial statements are as follows:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

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) 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.

f) Depreciation

Depreciation is calculated on a straight-line basis so as to write off the cost of an asset, less its estimated residual

value, over the useful economic life of that asset as follows:

IT equipment	–	three to four years
Fixtures, fittings and leasehold improvements	–	three to four years
E-commerce platform	–	three to four years
Right of use asset	–	over the remaining term of the lease

Material residual value estimates are updated as required, but at least annually.

g) Intangible assets

Intangible assets mainly comprise the fair value of customer bases and other identifiable assets acquired which are not included on the balance sheets of the acquired companies. A fair value calculation is carried out based on evaluating the net recurring income stream from each type of intangible asset. Intangible assets are initially recognised at fair value, and are subsequently carried at this fair value, less accumulated amortisation and impairment. The following items were identified as part of the acquisitions of entities by the Group and were still owned at 30 September 2024:

- Billing and website systems amortised over three years;
- customer lists amortised over five to ten years; and
- brands amortised over ten years.

Judgement is used in the allocation of fair values to the tangible assets and the identification and valuation of intangible assets which affect the calculation of goodwill recognised in respect of an acquisition. Refer to principal accounting policy (x).

h) Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash generating unit ("CGU") level. Goodwill is allocated to those CGUs that are expected to benefit from the synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Impairment reviews are carried out using multi-year cash flow projections from the approved budgets of the Group. These are discounted using a discount rate specific to each CGU. Forecast cash flows beyond 5 years assume steady growth at no more than the long-term average growth rate for the United Kingdom. The discount rate for each CGU reflects the time value of money and the nature and risks of the CGU.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses are credited to the carrying amount of the relevant asset. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

i) 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.

j) Financial assets

Financial assets comprise of cash and cash equivalents and trade and other receivables. All financial assets are initially recognised at fair value, plus transaction costs and subsequently measured at amortised cost.

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

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

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

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

k) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale when they are actively marketed, management is committed to selling, and a sale is expected within 12 months. These assets are measured at the lower of their carrying amount and fair value less disposal costs and are not depreciated once classified. The results of disposed operations are included in the consolidated statement of comprehensive income up to the disposal date but are shown separately in order to identify the profit/(loss) associated with the discontinued operations.

l) 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 (note 9).

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 10.

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. Further details are shown in Note 9.

Key sources of estimation uncertainty

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of Intangible assets

Determining whether intangible assets, including goodwill, are impaired requires an estimate of whether there is an impairment indicator. The key estimates for the carrying value of intangible assets are the cash flows associated with the intangible assets and a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Each of the intangible assets held by the Group is measured regularly to ensure that they generate discounted positive cash flows. Where there is indication of impairment, the intangible asset is impaired by a charge to the Consolidated Income Statement. Further details on the impairment tests are shown in principal accounting policy (g) above and note 9.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment. An internal borrowing rate of 10% per annum was applied when measuring the fair value of the right of use assets. A change of 1% in this borrowing rate would increase the carrying value of right of use assets at 30 September 2024 by £16,600.

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

	Continuing 2024 £'000	Continuing 2023 £'000	**Discontinued 2024 £'000**	Discontinued 2023 £'000
Managed IT Services	**420**	728	**16,236**	17,249
Value added resale	**8,317**	5,463	**2,551**	2,513
Total Revenue	**8,737**	6,191	**18,787**	19,762

3.1.2 Revenue

	Continuing 2024 £'000	Continuing 2023 £'000	**Discontinued 2024 £'000**	Discontinued 2023 £'000
Recognised over time	**420**	728	**15,283**	15,942
Recognised at a point in time	**8,317**	5,463	**3,504**	3,820
Total Revenue	**8,737**	6,191	**18,787**	19,762

4. Exceptional Items

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

	Discontinued 2024 £'000	Discontinued 2023 £'000
Costs relating to re-finance of the loan notes	**(40)**	(28)
Run-off costs relating to discontinued data centre services	**(353)**	(92)
Costs relating to onerous contracts settled in the year	**(18)**	(54)
Integration and restructure costs	**(70)**	(103)
Exceptional items	**(481)**	(277)

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

	Continuing 2024 £'000	**Continuing** 2023 £'000	**Discontinued 2024 £'000**	**Discontinued** 2023 £'000
Operating loss is stated after charging:				
Depreciation of owned assets	**26**	42	**127**	120
Depreciation of right of use assets	**13**	7	**1,519**	959
Short life lease expense: IFRS16 data centre short-life	**—**	—	**446**	946
Amortisation of intangibles	**105**	100	**756**	1,185
Auditor's remuneration:				
– Audit of parent company	**35**	30	**—**	—
– Audit of subsidiary companies	**15**	15	**48**	45

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:

	Continuing 2024 £'000	Continuing 2023 £'000	Discontinued 2024 £'000	Discontinued 2023 £'000
Interest income resulting from short-term bank deposits	**1**	4	**—**	—
Finance income	**1**	4	**—**	—
Interest expense resulting from:				
Lease liabilities	**1**	1	**46**	204
Interest on borrowings	**13**	3	**27**	24
Loan note interest	**—**	—	**846**	684
Unwinding of the discount on provisions	**—**	—	**100**	(103)
Finance costs	**14**	4	**1,019**	809

Loan note interest includes £786,000 (2023: £547,000) 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 but were repaid on 31 October 2024. Further details are provided in Note 14.

7. Income tax

	2024 £'000	2023 £'000
Current tax		
UK corporation tax for the period at 25% (2023: 22%)	**—**	—
Deferred tax		
Deferred tax credit on intangible assets	**215**	475
Total tax credit for the year	**215**	475

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

	2024	2023
Loss for the year before tax:	**(3,310)**	(2,566)
Tax rate	**25%**	22%
Expected tax credit	**(828)**	(565)
Adjusted for:		
Non-deductible expenses	**(14)**	(10)
Differences in tax rates	**—**	(28)
Recognition of deferred tax assets	**(534)**	(238)
Movement in unprovided deferred tax relating to losses	**180**	366
Short-term timing differences	**(245)**	—
Total tax credit for the year	**(215)**	(475)

The Group has unrecognised deferred tax assets in respect of tax losses carried forward totalling £4,735,000 (2023: £4,961,000). 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% was applied in the financial year to September 2023, calculated as an average monthly rate over in the measurement of deferred tax for the year as reflected in the table above. The tax rate for the financial year to September 2024 was 25%.

8. Loss per share	2024 £'000	2023 £'000
Loss attributable to ordinary shareholders	**(3,153)**	(2,091)
Weighted average number of Ordinary Shares in issue, basic and diluted	**706,215,686**	706,215,686
Basic and diluted loss per share	**(0.45)p**	(0.30)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 2022 and 30 September 2023	**11,281**	**361**	**2,383**	**11,445**	**25,470**
Re-classified as assets held for sale	(11,028)	(182)	(1,913)	(11,304)	(24,427)
At 30 September 2024	**253**	**179**	**470**	**141**	**1,043**
Accumulated amortisation					
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)**
Charge for the year	—	(18)	(122)	(721)	(861)
Re-classified as assets held for sale	—	183	1,254	7,490	8,927
At 30 September 2024	**—**	**(55)**	**(145)**	**(44)**	**(244)**
Impairment					
At 1 October 2022	**(4,447)**	**—**	**(225)**	**(1,193)**	**(5,865)**
Charge in the year	—	—	—	—	—
At 1 October 2023	(4,447)	—	(225)	(1,193)	(5,865)
Re-classified as assets held for sale	**4,447**	**—**	**225**	**1,193**	**5,865**
At 30 September 2024	**—**	**—**	**—**	**—**	**—**
Carrying amount					
At 30 September 2024	**253**	**124**	**325**	**97**	**799**
At 30 September 2023	6,834	141	881	3,439	11,295
Average remaining amortisation period		**6.9 years for each category of intangible asset**			

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 2024, there were two CGUs being Systems Assurance Limited and More Computers Limited, with CloudCoCo Limited and CloudCoCo Connect Limited classified as assets held for sale.

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 as below, the 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% (FY23: 13.25%) for each CGU. The pre-tax discount rate (weighted average cost of capital) was calculated at 18% per annum (FY23:18%) and the revenue growth rate is 5% per annum (FY23: 5%) for each CGU for 5 years

and a terminal growth rate of 2.3% (FY23: 2.0%).

Sensitivities have been run on cash flow forecasts for each 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	Systems Assurance Limited	More Computers Limited
Excess of recoverable amount over carrying value:		
Base case – headroom	129	256
Pre-tax discount rate increased by 1% - resulting headroom	109	229
Revenue growth rate reduced in years 2 to 5 by 1% per annum – resulting headroom	91	224

Base case calculations highlight that the impairment review in respect of Systems Assurance Limited is most sensitive to the discount rate and growth rate.

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 1 October 2022	**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**
Additions	172	10	45	2	229
Modifications	1.234	—	—	—	1,234
Disposals	(115)	(6)	—	(2)	(123)
Re-classified as assets held for sale	(4,560)	(378)	—	(59)	(4,997)
At 30 September 2024	**19**	**26**	**152**	**12**	**209**
Depreciation					
At 1 October 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**
Charge for the year	1,532	110	26	17	1,685
Disposals	(115)	(6)	—	(2)	(123)
Re-classified as assets held for sale	(3,159)	(264)	—	(42)	(3,465)
At 30 September 2024	**16**	**26**	**67**	**12**	**121**
Net book value					
At 30 September 2024	**3**	**—**	**85**	**—**	**88**
At 30 September 2023	1,530	214	66	32	1,842

£1,532k of net book value relating to Property, Plant and Equipment held within discontinued operations at 30 September 2024 are classified as assets held for sale. The net book value of right of use assets at 30 September 2024 comprised:

	Land & buildings £'000	Data Centre Assets £'000	Motor Vehicles £'000	Total £'000
At 30 September 2024	**3**	**—**	**—**	**3**
At 30 September 2023	523	990	17	1,530

The depreciation charge in respect of right of use assets comprises £1,392k in respect of data centre assets (FY23: £879k) and £140k in respect of property and other assets (FY23: £87k). Data centre assets are described in more detail in Note 10.

11. Assets and liabilities classified as held for sale

Following a strategic review carried out during 2024, the Board concluded that Company should seek to dispose of some trading assets in order to raise funds to repay the loan notes. This was seen as the most attractive option to improve financial stability and to enhance shareholder value. As a consequence, during August 2024, the Company reached agreement to sell its interests in CloudCoCo Limited and CloudCoCo Connect Limited, subject to due diligence and shareholder approval. On 31 October 2024 having received shareholder approval, both transactions were concluded initially raising £7.75 million of cash of which £6.2 million was immediately used to repay the loan notes, therefore avoiding further costs for extending the loan note term.

The following major classes of assets and liabilities relating to these disposals have been classified as held for sale in the consolidated statement of financial position on 30 September 2024.

	CloudCoCo	**CloudCoCo**	**Total**
Intangible assets	6,847	2,788	9,635
Property, plant and equipment	112	19	131
Right of Use assets	114	1,287	1,401
Trade and other receivables	1,970	1,839	3,809
Assets held for sale	**9,043**	**5,933**	**14,976**
Trade and other payables	3,756	3,226	6,982
Contract liabilities	929	820	1,749
Provision for onerous contracts	—	799	799
Lease liability	157	1,288	1,445
Deferred tax liability	201	399	600
Liabilities associated with assets held for sale	**5,043**	**6,532**	**11,575**

12. 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 A 2025, the repayment date for the loan notes was subsequently extended to 31 August 2026. Following the sale of the discontinued operations, the loan notes were repaid in full on 31 October 2024 and so the extension was not executed. Further details are included in Note 14.

13. Deferred tax liabilities

	Deferred tax on acquired intangibles £'000
Deferred tax liability at 30 September 2022	**1,426**
Credited to income statement – on intangibles	(475)
Deferred tax liability at 30 September 2023	**951**
Credited to income statement – on intangibles	(215)
Re-classified as "Assets held-for-sale"	(600)
Deferred tax liability at 30 September 2024	**136**

14. Post Balance Sheet events

On 31 October 2024, the Company sold its interest in CloudCoCo Limited and CloudCoCo Connect Limited, initially raising £7.75 million of cash of which £6.2 million was immediately used to repay the MXCG loan notes in order to avoid further costs for extending the loan note term. Details of the disposals are set out below, based on unaudited completion accounts which are currently being agreed with the buyers.

	CloudCoCo Limited	**CloudCoCo Connect Limited**	**Total**
	£'000	£'000	£'000
Non-current assets			
Intangible assets	6,847	2,788	9,635
Property, plant and equipment	124	18	142
Right of Use assets	112	1,278	1,390
Total non-current assets	7,083	4,084	11,167
Current assets			
Inventories	37	—	7
Trade and other receivables	1,920	1,847	3,767
Contract assets	407	18	425
Cash and cash equivalents	16	102	118
Total current assets	2,380	1,967	4,347
Total assets	9,463	6,051	15,514
Liabilities			
Trade and other payables	(3,789)	(2,797)	(6,586)
Contract liabilities	(1,141)	(610)	(1,751)
Provision for onerous contracts	—	(790)	(790)
Lease liability	(152)	(1,278)	(1,430)
Deferred tax liability	(365)	(399)	(764)
Total Liabilities	(5,447)	(5,874)	(11,321)
Net assets at book value	4,016	177	4,193
Proceeds from Sale	7,500	250	7,750
Gain/(loss) on sale of subsidiary	3,484	73	3,557