



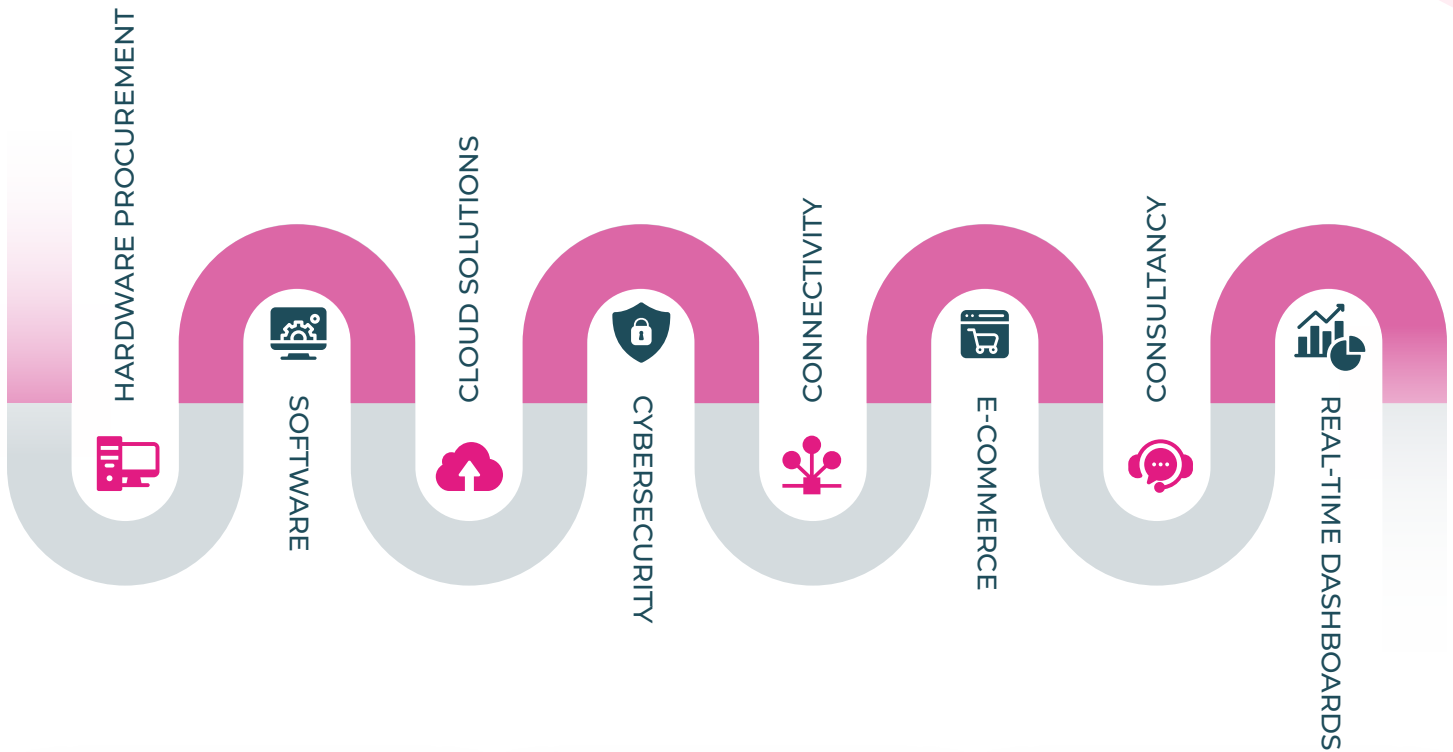
2025 ANNUAL REPORT

CloudCoCo Group plc

 www.cloudcoco.co.uk

CloudCoCo Group harnesses the power of cloud computing, cybersecurity, digital innovation, and e-commerce excellence to drive business success. With expert IT consultancy and tailored solutions provided by Systems Assurance, alongside the dynamic online procurement and next-day delivery capabilities offered by MoreCoCo, we empower businesses to streamline their operations, enhance security, and scale confidently.

Since 2006, the CloudCoCo Group has supported UK organisations of all sizes and across diverse industries by delivering reliable, enterprise-grade managed IT services and innovative e-commerce solutions designed to maximise efficiency and growth.



BRIGHT IDEAS

We're powered by some of the brightest minds in business IT, who are passionate about using technology to help people and to drive lasting change.



FOCUSSED ON YOU

We work closely with you to learn your business and deliver best-in-class solutions and services that help you live your values, execute your strategy and achieve your mission and vision



BEST IN BREED

We help our customers use best-in-breed technology and work alongside you as a partner, not a supplier. We endeavour to constantly develop our team member's skills and knowledge to help support you.

Strategic report

- 2 Chairman's statement
- 3 Trading review
- 6 Financial review
- 10 Risks and risk management
- 12 Directors' duties section 172 statement

Corporate governance

- 14 Board of Directors
- 15 Corporate governance report
- 19 Remuneration report
- 21 Directors' report
- 24 Statement of Directors' responsibilities

Financial statements

- 25 Independent Auditor's report
- 31 Consolidated income statement
- 32 Consolidated statement of financial position
- 33 Consolidated statement of changes in equity
- 34 Consolidated statement of cash flows
- 35 Notes to the consolidated financial statements
- 56 Statement of financial position (parent company)
- 57 Statement of changes in equity (parent company)
- 58 Notes to the parent company financial statements
- 63 Directors, Secretary and advisers

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.

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 EBITDA¹: £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
	£’000	£’000
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.

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

Trading Review (continued)

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.

Trading Review (continued)

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
30 March 2025

Financial review

Income Statement

Trading performance in the year for the Group 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 10% 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 £'000	2023 £'000
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 £'000	2023 £'000
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 £'000	2023 £'000
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.

Financial review (continued)

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 EBITDA¹ 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 to the accounts.

Managed IT Services

Managed IT Services, which comprises recurring services and ongoing IT support often utilising the data centre locations, core network or technical skills at our disposal 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 overheads² 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 EBITDA¹ – 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 EBITDA¹ 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 11). Thus, rather than recognising an operating expense in respect of the cost of these data centres, they are instead recognised as assets, with an associated lease liability, impacting profit or loss as depreciation and interest expenses and are therefore not included in Trading Group EBITDA.

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

Financial review (continued)

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 quoted 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). £0.8 million (2023: £0.7 million) of this was accrued interest on loan notes during the year, but settled on 31 October 2024. The remaining £0.2 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 28. 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	88	1,532	1,620	1,842
	887	11,167	12,054	13,137
Current Assets				
Inventories	76	20	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
	1,633	3,809	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

Financial review (continued)

Statement of Financial Position and cash (continued)

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. Further details of trade payables are provided in Note 19.

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. Note 27 shows the ageing profile of both trade receivables and trade payables.

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 16. 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 annual 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 20. 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 on page 21.

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 21.

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 28.

Risks and risk management

Principal risks and uncertainties

The Group is affected by a number of risks and uncertainties, not all of which are wholly within its control as they relate to the wider macroeconomic and legislative environment within which the Group operates. In addition, we have seen caution evident in some of our target markets due to the economic disruption over the past two years and short-term inflationary concerns.

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Responsibility for implementing sound and effective systems of internal control has been delegated by the Board to senior management. The purpose of the system of internal control is to manage and mitigate rather than entirely eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors have established an organisational structure with clear operating procedures, lines of responsibility and delegated authority. Each of the trading entities share an effective leadership team with responsibility for sales, service, people and customer delight. There are clear procedures for capital investment appraisal and approval, contract risk appraisal and financial reporting within a comprehensive financial planning and accounting framework.

The Group's risk register is reviewed at least on an annual basis for additions, changes and mitigation strategies. This review is overseen by the Chief Financial Officer, who ensures the appropriate level of action and reports by exception to the Board.

Given the size of the Group it is not considered necessary to establish a full-time internal audit function, although internal audits are carried out by external consultants as part of our compliance processes for ISO9001 and ISO27001.

The key financial risks of the Group are detailed in note 28 to the consolidated financial statements. The key non-financial risks that the Group faces are listed below.

Non-financial risks

The key operational risk the Group faces is the general economic outlook. The Group has chosen to invest in a sector that has shown resilience through the economic cycle; however, there is no guarantee that this can continue and, should there be a reduction in demand in this sector, then revenues, margin, profitability and cash flow could all be affected adversely.

The following list highlights the key risks and uncertainties that the Group faces which it can seek to mitigate by a choice of appropriate strategies; however, this list is not intended to be exhaustive.

Cost of living crisis

The cost of living crisis has had a profound impact on the affordability of goods and services in the UK, exacerbating financial pressures on households across the country. The current rising costs of essential goods and services in the UK, such as housing, energy, and food is having negative social and economic implications on consumers and businesses and is expected to continue to adversely impact economic growth and productivity during 2025. Not only does this place additional financial pressure on the staff and customers of the Group but also reduces the level of disposable income available to support key industries that make up the customer base of the Group. The Group is committed to helping its employees by offering flexible remote working arrangements that reduce the costs of commuting and childcare and also by providing competitive salaries, health insurance plans, retirement and other benefits.

UK economy

The UK economy presents several risks, including inflationary pressures that can reduce consumer spending, supply chain disruptions affecting stock availability and costs, and fluctuating interest rates that impact financing options. Economic uncertainty, driven by factors such as geopolitical tensions or regulatory changes, can also weaken consumer confidence and lead to reduced demand. Additionally, currency volatility may affect the cost of importing goods, particularly for businesses reliant on overseas suppliers. Staying agile and managing costs effectively are key to mitigating these risks.

Reputational risk

The nature of the Group's business is such that it provides a service which its customers depend upon and any significant or lengthy period of service disruption would materially affect its customers and adversely impact upon the Group's reputation in the market.

The Group constantly monitors performance and availability and responds quickly to any service outages. Wherever possible it ensures that there are no single points of failure in its service delivery infrastructure and where there are, these are clearly reflected in service levels made available to customers.

Cyber Security risk

Like all technology related businesses, the Group is exposed to the risk of cyber security threats that could cause financial, reputational, and operational impacts if it or its customers were to suffer a cyber security attack. We seek to mitigate this risk ensuring that we have robust perimeter defences in place and by consistently scanning network traffic for potential cyber security threats and vulnerabilities within the company's IT infrastructure, applications, and data.

We have a well-defined incident response plan in place that outlines the steps to be taken in the event of a suspected cyber security threat. This includes procedures for internal and external communication, containment, eradication, and recovery. Assessing and mitigating cyber security risks is an ongoing process. It requires a proactive approach, regular review, and adaptation to new threats and vulnerabilities amidst an increase in the number of cyber security incidents in the UK.

Risks and risk management (continued)

Non-financial risks (continued)

Commercial risk

The Group seeks to mitigate commercial and operational risks through operating policies, credit control procedures and strong relationships with customers and suppliers built on mutual trust.

The Group does have reliance on a number of suppliers for specific IT technologies. However, in such cases it seeks, where possible, to have alternative resellers open to it to purchase from and it also seeks to add value through its development capability which should reduce the risk of supplier loss.

Technology risk

The market in which the Group operates has the potential for significant technological change, which could undermine the Group's delivery capabilities.

The Group monitors technology developments through close links with suppliers and through a team with significant experience and expertise in this sector. This is augmented with the addition of product specialists, who are able to more readily identify new trends, product developments, etc. in their sphere of excellence, where deemed necessary.

Key resources

Commensurate with an organisation of the Group's size is the dependence placed upon certain key personnel, including executive and senior management who have significant experience within the Group and the IT sector and who would be difficult to replace.

The Group continues to seek to mitigate these risks through the continued strengthening of middle management in the key areas of finance, operations and technology and through the use of bonuses and employee share options to incentivise and reward key staff.

Contractual liabilities

In instances where the Group's services or products fail to meet agreed timescales or standards there is a risk that the Group will be exposed to claims for contractual liabilities as a result of failure.

The Group seeks to mitigate these risks through the following methods:

- contractual reviews prior to execution by legal advisers where the contract is material and differs from the Group's standard terms and conditions;
- where products or services are being resold, the Group seeks to take no additional risk by simply seeking to back terms and conditions from its suppliers; and
- only accepting a level of contractual liability which is commensurate with insurance policies and the value of the contract.

Regulatory compliance

The Group provides services, some of which are in regulated markets, such as telecommunications. The Group must maintain compliance with applicable regulations. Regulated services may also be affected by price changes. In both cases, there is risk of an adverse impact on the Group's business, financial and operational position.

The Group carefully monitors proposed or adopted regulatory changes to assess the impact that such changes have on its business operations or its customers.

Malicious activity and data protection

The Group operates in the technology and software sector and as a result has information assets that could be compromised, disrupted or lost as a result of malicious activity.

The Group operates protective equipment to defend against malicious attacks and has staff policies in place to enforce good practice on data security.

Acquisitions

Integrating acquisitions and the associated change management can take a period of time. The Group may lose existing customers or the customers of an acquired entity as a result of an acquisition. The Group also may lose key personnel, either from the acquired entity or from itself, as a result of an acquisition.

The Group has an experienced management team, with a proven track record of integrating businesses and managing change. Appropriate due diligence is undertaken by the Company and its advisers prior to the completion of an acquisition and appropriate incentive schemes are put in place for certain key personnel.

Directors' Duties – Section 172 Statement

The Directors acknowledge their duty under section 172(1) (a) to (f) of the Companies Act 2006 to promote the success of the Group. The Directors consider, in good faith, that they have both individually and collectively acted in such a way as to promote the success of the Group for the benefit of all stakeholders, and in doing so have regard (amongst other matters) to:

- The likely consequences of any action in the long term;
- The interests of the Group's employees;
- The need to foster the Group's business relationships with suppliers, customers and others;
- The impact of the Group's operations on the community and the environment;
- The desirability of the Group to maintain a reputation for high standards of business conduct, and
- The need to act fairly as between members of the Group.

The Directors consider that the following are the Group's key stakeholders: employees, customers, suppliers, shareholders, debt providers and the community.

Having regard to the consequences of strategic and long term decisions

The Directors hold regular Board meetings which are held monthly on scheduled calendar dates. The Executive Directors prepare Board papers that cover a full review of the Group's financial performance, operational issues and plans and opportunities and threats in the external market. Each matter discussed considers the wide range of interests of stakeholders including customers, employees, shareholders, suppliers and competitors and ensures that the business complies with applicable laws and regulations. Board meetings are chaired by the Group's non-executive Chairman, and all issues on the agenda are covered with the opportunity for additional matters to be raised. Matters reviewed at Board meetings include annual budgets and forecasts as well as consideration and approval of the interim and annual report and annual accounts. The principal decisions that arose from the Board meetings during the year have been included in the Chairman's Statement (see page 2) and Financial review (see page 6).

Having regard to maintaining high standards of business conduct

The Directors recognise the importance of operating a robust corporate governance framework to safeguard the success and sustainability of the business. The Board ensures that the decisions taken are legally compliant and protect the interests of shareholders by clearly identifying risks and promoting transparency. The Corporate Governance Report on pages 15 to 18 demonstrates how the Board complies with the Quoted Companies Alliance Corporate Governance Code ("the QCA Code").

Having regard to the interests of the employees

The Group strives to create a diverse and inclusive working environment where every employee feels welcome and can do their best work. CloudCoCo believes in the benefits of diversity and the importance of bringing a wide range of skills, experience and perspectives into its business. The executive Directors continually work with senior management to promote the Group's values. One of the outcomes of the post pandemic era was the decision taken to offer employees the option to incorporate a remote/hybrid home-working model into their working week. The Group provide the necessary equipment to facilitate home working. The CEO regularly briefs employees on developments in the business and encourages suggestions from employees on how improvements to the business and working environment can be addressed. The Group operates a share options plan, providing qualifying employees with an aggregate of 55,029,500 performance-based share options to align colleague incentivisation with shareholders' interests.

Having regard to the fostering of relationships with customers and suppliers

Customers

CloudCoCo aims to delight its customers and this sentiment is at the heart of everything it does. The Group engages with its customers to understand and exceed their expectations. Updates and feedback from customers as well as operational statistics are regularly reported to the Board. Key achievements in the year were improved support help desk answering times and reduced number of open customer support tickets. We are currently investing in new technology to increase the number of ways that customers can contact us for support and service, including live chat and a client portal.

Suppliers

The Board takes a close interest in relations with key suppliers whose performance is crucial to our success. The Group is committed to ensuring the highest standards and quality across its operations and requires both its suppliers and partners to operate to the same high standards. The appointment of the Vendor Alliance Manager will help customers and staff gain access to the expertise and knowledge available from our suppliers.

Having regard to the Company's operations on the community and the environment

The Board is mindful of the potential social and environmental impacts of the Group's activities. The Board is committed to minimising the environmental effect of the Group's activities wherever possible. As a provider of energy intensive data centre services to business customers, the Board are committed to ensuring that where possible it uses energy-efficient equipment, adopts virtualisation technology, and utilises optimised cooling systems. Whilst we are reliant on third-party suppliers to provide much of the infrastructure, we are committed to using partners who have a strategy to support sustainable development of renewable energy sources such as wind, solar, and hydro to power their data centre locations. This reduces carbon footprint and helps us work towards carbon neutrality. Our data centre locations are monitored continuously and are regularly assessed to identify areas where energy efficiency can be improved and emissions reduced. The Group recycles paper and packaging and uses specialist recyclers of scrap telecommunications and IT equipment. The Group makes use of technologies to minimise the need to travel to meetings.

Directors' Duties – Section 172 Statement (continued)

Having regard to the need to act fairly between members of the Group

The Group's intention is to behave responsibly towards all of its shareholders and treat them fairly and equally. The Group's website has a section dedicated to investor matters which details amongst other things, all financial reports, press releases and other regulatory filings. The Board deliver trading updates to members and actively promote activities of the business using social media.

Strategic Report

This Strategic Report on pages 2 to 11 was approved by the Board of Directors on 30 March 2025 and signed on behalf of the Board of Directors by:

Darron Giddens

Chief Financial Officer

Board of Directors

Simon Duckworth OBE DL

Non-Executive Chairman

Simon has held a number of non-executive positions in the public and private sectors. He was Chairman of Baring's Targeted Return Fund for over a decade and also chaired the Association of Police and Crime Commissioners. He also served as a Non-Executive Director of Fidelity's flagship European Investment Trust, Fidelity European Values plc, for a decade, and has sat on the boards of a number of AIM-quoted companies as a non-executive director, including Accumuli plc from 2010 until its sale to NCC plc in 2015.

A Cambridge graduate, Simon is a former Chairman of the City of London Police Authority, who chaired the Economic Crime Board of the City of London Police and was the Senior Non-Executive Board Member at the Serious Fraud Office until December 2019. Simon has served on a number of Home Office committees and helped to design the National Crime Agency. Simon is a senior member of the City of London Corporation, and an active Army reservist.

Simon is Chair of the Remuneration Committee and the Audit Committee.

Darron Giddens

Chief Financial Officer

Darron qualified as a Chartered Management Accountant with Gan Life & Pensions plc and has subsequently worked in the IT and Telecommunications industry for over 25 years and holds an MBA from Aston University. During his career, Darron has gained experience in corporate finance, IT systems and corporate strategy work. Prior to his appointment as CFO in June 2021 Darron was Finance Director for the various trading businesses within the Group for a number of years, and has overseen the acquisition, integration and disposal of a number of companies into the Group.

Darron joined the Board as Chief Financial Officer on 9 June 2021.

Corporate governance report

CloudCoCo Group plc (the “Company”) is committed to operating proper standards of good corporate governance and has established a corporate governance model based on the key principles of the Quoted Companies Alliance Corporate Governance Code (“QCA Code”). Following the disposal of our IT services business, our focus has shifted to growing our e-commerce platform and providing IT hardware and components to both business and consumer customers.

The Company operates a business model and growth strategy that promotes the generation of shareholder value through the growth and retention of recurring revenue streams. The Company promotes professionalism, openness, honesty and integrity between its customers, staff, shareholders and suppliers.

The following outlines how the Company addresses the ten broad governing principles defined in the QCA Code. The Non-Executive Chairman is responsible for corporate governance and the overall leadership of the Board and ensuring its effectiveness.

Principle 1 – Establish a strategy and business model which promote long-term value for shareholders.

Goals:

As a public company we are focused on delivering value for both our shareholders and customers and have three goals that drive our business:

- Deliver shareholder value
- Provide high levels of customer satisfaction
- Differentiate our service through expertise, innovation and successful execution of solutions

Purpose:

The purpose of the business is to generate shareholder value through the profitable delivery of IT hardware, components, and related products via our e-commerce platform. We aim to provide customers with a seamless online experience and ensure they have access to high-quality products at competitive prices.

Strategy:

The Company currently delivers IT and communication solutions to business customers by leveraging strong partnerships and a single operating platform established from the integration of several businesses. Our strategy is to:

- Partner with the best public cloud and application providers
- Cross-sell IT and telephony services to customers
- Expand our e-commerce platform through SEO, digital marketing, and partnerships.
- Broaden our product offering to meet the growing demand from the UK gaming community.
- Leverage our expertise to provide personalised service and support to customers.
- Optimise operational efficiencies to improve profitability.
- Focus on growing our recurring revenues through organic growth
- Develop and expand an innovative portfolio of solutions
- Stay close to the customer, small enough to care and large enough to cope

Principle 2 – Seek to understand and meet shareholder needs and expectations.

The Company is committed to open communication with all its shareholders. The Chairman and Chief Financial Officer are primarily responsible for investor relations.

The Company values the views of its shareholders and recognises their interest in the Group’s strategy and performance, Board membership and quality of management. The Company believes it is important to explain business developments and financial results to its shareholders, to understand shareholder concerns, and to ensure that suitable arrangements are in place to ensure a balanced understanding of the issues and concerns of major shareholders.

The principal method of communication with private investors is via the Company’s Annual Report and Accounts, Interim Reports, the Annual General Meeting and other relevant announcements that are maintained on the Group’s investor website, www.cloudcoco.co.uk. As appropriate, business-related announcements may also be published there if the Group considers them to be of significant interest to shareholders. The Company promotes the activities and services of the group through regular updates via social media.

Shareholders are given the opportunity to raise questions at the Annual General Meeting and the Directors are available both before and after the meeting for further discussion with shareholders. The Annual General Meeting is used to communicate with all shareholder and investor groups, and they are encouraged to participate. The Chairs of the Audit and Remuneration Committees are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there are resolutions to receive the Annual Report and Accounts and the report on Directors’ remuneration.

Meetings are offered to major institutional shareholders to discuss strategy, financial performance and investment activity immediately after the full year and interim results announcements. The non-executive Directors are available to meet with major shareholders if such meetings are required. Feedback from such meetings with shareholders is provided to the Board to ensure that the Directors have a balanced understanding of the issues and concerns of major shareholders.

The Board receives share register analysis reports to monitor the Company’s shareholder base and help identify the types of investors on the register.

Corporate governance report (continued)

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The Company recognises that its stakeholders now primarily include customers purchasing IT hardware online, suppliers and partners supporting the e-commerce platform, employees, and shareholders.

Management prioritises its relationships with customers and staff and effort is directed to ensuring they are managed appropriately. Regular reviews are undertaken to ensure any issues are addressed promptly.

The Company records and regularly reviews customer service levels. There is a feedback system in place representing customer success, the results of which are measured and acted upon to ensure the drive for constant improvement is met.

The Company's internal stakeholders are its employees. The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, gender reassignment, race, disability, sexual orientation, pregnancy and/or maternity, marital or civil partner status, religion or belief or age.

Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in maintaining good relations with them. Employees receive regular updates from the Chief Executive Officer on the Company's progress and new initiatives via monthly staff updates and regular town hall meetings, which offers an opportunity for them to raise queries or issues. Employees are also surveyed on a regular basis to measure satisfaction and solicit feedback to improve the business.

E-commerce businesses face data protection and cybersecurity risks, including potential data breaches, unauthorised access to customer payment information, and compliance challenges with regulations such as GDPR and PCI-DSS, necessitating robust encryption, multi-factor authentication, and continuous monitoring to safeguard sensitive data. We manage this with our global payment partners and do not keep any customer payment information on our internal systems.

As a result of feedback received during the year we have increased the availability of online training resources to staff members and offer personal development sessions to employees to help identify their strengths and weaknesses, set goals for their professional growth, and create a roadmap for achieving those goals.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Board has established a risk register relating to the Company's business. At least annually, it meets to consider the appropriateness of the risks identified and the mitigating action taken by management on a risk by risk basis focusing on those deemed most critical. The Company has ISO9001 and ISO27001 procedures in place and regularly manages and updates a Quality Management System to manage risks by providing a standardised framework for managing processes, identifying potential risks, implementing controls to mitigate risks, encouraging continuous improvement, and ensuring compliance with regulatory requirements.

For further details of the Company's approach to risk and its management, please refer to the Risks and Risk Management section of the Strategic Report as set out above.

The Board has also set out a policy defining the Group's compliance, procedures and position regarding the prevention of the facilitation of tax evasion as defined by the Criminal Finances Act 2017.

Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chair.

The Board currently consists of one Executive Director and one Non-Executive Director. Given the streamlined nature of the business, the Board believes that this composition is appropriate for the Group's size and complexity. The Board continues to seek opportunities to enhance its capabilities through additional appointments as needed. In May 2024, the Board appointed a consultant to the Board, who acted as Interim CEO until November 2024. The non-executive director is expected to devote a minimum of one day per month to the Group's business, plus any additional time which may be required to fulfil their duties. In November 2024, the Board appointed Peter Nailer as Managing Director of the trading businesses. This is not a plc Board appointment.

The Chairman leads the meetings of the board and acts in a conciliatory role when members of the Board differ. The Board directs the Group's activities in an effective manner through regular monthly board meetings and monitors performance through timely and relevant reporting procedures which enable risks to be assessed and managed. During this financial year, 12 monthly board meetings were held with all Directors then in office present in person or via conference call.

Operational management of the Group is delegated to the Senior Management Team, who meet regularly with the Chief Executive Officer and Chief Financial Officer to review current business performance, sales activity, operational projects, customer service, human resourcing matters and other day to day activities.

Detailed Board packs include information on all revenue streams and financial performance and are circulated ahead of Board meetings. Key issues are highlighted and explained, providing Board members with sufficient information to enable a relevant discussion in the Board meeting. The Managing Director of the trading business and the Chief Financial Officer attend the Company's senior management meetings and updates the Board accordingly on any issues and developments.

Corporate governance report (continued)

Principle 6 – Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.

The Board members and their relevant experience and skills are detailed on page 14. The Non-Executive Chairman believes that, as a whole, the Board has a suitable mix of skills and competencies covering all essential disciplines bringing a balanced perspective that is beneficial both strategically and operationally and will enable the Company to deliver its strategy.

The Board currently consists of one executive director, with a new CEO to be appointed and one independent non-executive director, Simon Duckworth. The nature of the Company's business requires the Directors to keep their skillset up to date by, inter alia, attending seminars, conference and industry events. Directors seek feedback from their colleagues, employees, and other stakeholders in addition to reading industry publications and networking.

The Board recognises the value of adding e-commerce expertise at the non-executive level but intends to make such an appointment only once a clear and actionable growth strategy for the e-commerce and direct sales business has been established. The e-commerce and direct sales businesses is currently managed by Peter Nailer, who was appointed Managing Director of the trading business in November 2024.

In addition to the support provided by the Company's retained professional advisers (Nominated Adviser, lawyers, auditor and M&A adviser), external consultants are engaged when needed to advise on any relevant matters. External advisers attend Board meetings or committee meetings as invited by the Non-Executive Chairman to report and/or discuss specific matters relevant to the Company.

Departure from the code

The Group recognises that since Tom Black stood down at the Annual General Meeting in March 2020, that there have not been two independent directors. However, with an experienced independent Chairman supported, where needed, by retained professional advisers, it is considered the current composition of the Board is appropriate.

Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

Board performance effectiveness process

The Chairman is responsible for the regular evaluation of the Board's performance and that of its committees and individual Directors.

Board meetings are collaborative and inclusive environments where members are encouraged to participate in the meeting by asking questions, sharing opinions, challenging others and providing input. Board effectiveness is discussed and feedback is considered during regular monthly board-meetings across a number of parameters including:

- setting, guiding and monitoring group strategy;
- standard of internal reporting;
- channels of communication;
- support of management with appropriate challenge;
- structure and effectiveness of meetings;
- appropriate use of external advisors;
- quality debate and appropriate preparation;
- compliance with governance, legislation and regulation;
- focus on future vs past; and
- skills of board members.

The Board intend to carry out further internal evaluations during 2024.

Succession planning and Board appointments

The Remuneration Committee meets as and when necessary to consider the appointment of new executive and non-executive directors, although the Board as a whole takes responsibility for succession planning. Board members all have appropriate notice periods so that if a Board member indicates his/her intention to step down, there is sufficient time to appoint a replacement, whether internal or external.

Each director is required to offer themselves for re-election at least once every three years as per the Company's Articles of Association.

Board appointments are made after consultation with advisers including the Nominated Adviser who undertakes due diligence on all new potential Board candidates.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours.

The Board recognises that core values provide a framework which influences every level of the Group. Under guidance from the Board, the Chief Executive Officer takes the lead in developing and promoting the corporate culture and ensures that employees understand the business values and behaviours required to ensure that we perform as one team to deliver our business goals and maintain good employee relations. Our values and behaviours are communicated to all employees throughout the year via its intranet and a series of company-wide meetings and briefings. Employee engagement and consultation is encouraged through surveys, polls and by providing feedback from colleagues and customers instantaneously. Our core values are reinforced regularly through various means, such as recognition, rewards, and promotions. Employees who exemplify the core values are acknowledged and celebrated. The senior management team are encouraged to lead by example and to demonstrate the core values when making decisions. Qualifying employees are also awarded incentive based share options.

Corporate governance report (continued)

The Company's environmental and health and safety policies are as follows:

Environmental policy

The Group acknowledges the importance of environmental matters and where possible uses environmentally friendly policies in its offices, such as recycling and energy-efficient practices.

Health and safety

The Group aims to provide and maintain a safe working environment for all colleagues and visitors to its premises, and to comply with all relevant UK health and safety legislation. Health and safety matters are delegated to representatives within the business, who can raise any issues arising via a number of means, including the corporate risk register whose highest rated risks are reviewed periodically by the Board.

The Board recognises the importance of ethical supply chain management in maintaining responsible business practices and fostering trust with our customers. As we scale our e-commerce operations, we are committed to ensuring that our supply chain aligns with our values of sustainability, fairness, and transparency.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

On behalf of the Board, the Chief Financial Officer has overall responsibility for managing the day to day operations of the Company and the Board as a whole is responsible for monitoring performance against the Company's goals and objectives. The individual Board members' specific responsibilities, contributions and skills are set out on page 14.

The Board has established two standing Committees, the Audit Committee and the Remuneration Committee. A nominations committee would be established should it be required. Simon Duckworth is Chair of the Remuneration Committee and the Audit Committee. Terms of reference for the Committees are available on the Company's website.

Departure from the code

The Group recognises that since Tom Black stood down at the Annual General Meeting in March 2020, that there have not been two independent directors in terms of the composition of its Board and Committees. However, the Chair of each Committee is considered experienced and capable of ensuring proper governance is maintained.

Principle 10 – Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Company maintains a regular dialogue with key stakeholders including shareholders to enable interested parties to make informed decisions about the Group and its performance.

Historical annual reports and notices of general meetings can be found in the Financial Reports section of the Group's website.

The Board discloses the results of Annual General Meetings and these can be found in the Regulatory News section of the website.

The Audit Committee meets at least twice a year, although the Company's Auditors or any member of the Audit Committee may request a meeting at any time, should they consider that one is necessary. The role of the Audit Committee is to make recommendations to the directors and shareholders, in relation to the appointment, re-appointment and removal of the Company's Auditors and to approve their remuneration and terms of engagement. Prior to the commencement of each annual or interim audit, the Audit Committee will discuss and agree the nature and scope of the audit with the Auditors and in discussion with them, will monitor the integrity of the financial statements of the Group and approve any formal announcements relating to the Company's financial performance.

The Audit Committee develops and implements policies on the engagement of the Auditors to supply non-audit services and will report to the Directors, identifying any matters where the Audit Committee considers that action or improvement is needed, making recommendations as to the steps to be taken.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and may seek information it requires from any employee of the Company. The Audit Committee may seek outside professional advice at the cost of the Company, in order to secure any relevant experience or expertise it considers necessary to fulfil its duties.

The terms of reference of the Remuneration Committee and its report can be found below.

Remuneration report

As the Group is AIM registered it is not required by company law to prepare a Remuneration Report. The information in this report has been provided on a voluntary basis and has not been audited except where indicated.

Remuneration Committee

The Remuneration Committee determines, on behalf of the Board, the Group's policy for executive remuneration and the individual remuneration packages for the Executive Directors. In setting the Group's remuneration policy, the Remuneration Committee considers a number of factors, including the following:

- salaries and benefits available to Executive Directors of comparable companies;
- the need to attract and retain Executives of an appropriate calibre; and
- the need to ensure continued commitment of Executives to the Group's success through appropriate incentive schemes.

The Committee meets at least once a year.

Remuneration of Executive Directors

The fees paid to the Executive Directors are determined by the Board. Mark Halpin and Darron Giddens have service contracts with the Company terminable on six-months' notice. Mark Halpin resigned as a director on 29 April 2024, with his service contracted terminated in accordance with the 6 months' notice period.

Remuneration of Non-Executive Directors

The fees paid to the Non-Executive Directors are determined by the Board. They are not entitled to receive any bonus or other benefits. Non-Executive Directors' letters of appointment are on a three-month rolling basis.

Directors' remuneration (Audited information)

Details of individual Directors' emoluments for the year (excluding employer's National Insurance contributions) are as follows:

	Fees and salaries		Other benefits		Totals	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Non-Executive						
S Duckworth	43	43	—	—	43	43
J Collighan (resigned 30 June 2024) ¹	29	39	—	—	29	39
A Mills (resigned 17 May 2024) ²	48	43	—	—	48	43
Executive						
M Halpin (resigned 29 April 2024)	96	160	13	13	109	173
D Giddens	100	105	5	5	105	110
Total	316	390	18	18	334	408

Other benefits include £2,900 (FY23: £4,500) in respect of pension contributions for M Halpin and £3,000 (FY23: £3,000) in respect of pension contributions for D Giddens. Additional benefits for M Halpin relate to company car fees of £11,500 (FY23: £7,000) and private health insurance premiums of £1,149. Additional benefits for D Giddens relate to private health insurance premiums.

1. Fees in relation to J Collighan were paid to MXC Capital Advisory Limited (see note 25).

2. A Mills fees includes £8,000 (FY23: £9,000) of payments relating to Group subsidiaries.

Directors' interests in shares (Audited Information)

The interests of Directors (including connected parties) during the year in the Ordinary Shares of the Company at 30 September 2024 together with their interests as of 30 September 2023 were as follows:

Name of Director	30 September 2024	30 September 2023
	Number	Number
S Duckworth and Lady C Duckworth	25,850,000	25,850,000
A Mills	32,724,088	32,724,088
M Halpin ³ and C Halpin	140,713,578	140,713,578
D Giddens	2,946,150	2,946,150

MXC Advisory Limited, who provides the services of Jill Collighan, is a wholly owned subsidiary of MXC Guernsey Limited, which had a 10.6% holding in the shares of the Company at 30 September 2024.

Remuneration report (continued)

Directors' interests in share options (Audited information)

Two directors who held office during the period held options over the Ordinary Shares of the Company as follows:

	2024	2023
Mark Halpin – Chief Executive Officer (resigned 29 April 2024)	22,200,000	22,200,000
Darron Giddens – Chief Financial Officer	7,000,000	7,000,000

On 19 August 2022 the Company granted options over 14,700,000 shares to Mark Halpin. As a member of the Concert Party formed when the Company acquired the share capital of CloudCoCo Limited on 19 October 2019, the new options granted to Mark Halpin carry further restrictions in that whilst the Concert Party, of which Mark is part, holds between 30 and 50 per cent of the share capital of the Company, these new options cannot be exercised without triggering the provisions of Rule 9 of the Takeover Code.

These restrictions do not apply to the 7,500,000 existing options granted to Mark Halpin on 20 November 2020, which form part of the Concert Party Options issued and approved by the Takeover Panel at a time when the Concert Party held more than 50 per cent of the Company's issued share capital. Whilst Mark Halpin resigned as a director on 29 April 2024, the share options he holds in the Company continue to be exercisable under the terms of the share option scheme.

All share options in place at 30 September 2024 have been granted under the terms of the Company's approved EMI share option scheme. Further details of share options can be found in note 7.

By order of the Board

Simon Duckworth
Chairman, Remuneration Committee

30 March 2025

Directors' report

The Directors present their Annual Report, together with the financial statements and Independent Auditor's report, for the year ended 30 September 2024 for CloudCoCo Group plc, company number 05259846.

Principal activities

The principal activity of the Group is the provision of IT and communications solutions predominantly to UK based businesses. Further information can be found in the Strategic Report on pages 2 to 13.

Results and dividends

The Group's loss on ordinary activities after taxation was £3.2 million (FY23: loss of £2.1 million). The audited financial statements of the Group are set out on pages 31 to 55. The Directors do not propose a dividend for the year ended 30 September 2024 (FY23: £nil).

Strategic review

The information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, including likely future developments and trading outlook, has been included in the separate Strategic Report on pages 2 to 13 in accordance with section 414C (11) of the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

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 28 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.

Directors

The present membership of the Board is as follows:

Simon Duckworth, Non-Executive Chairman
Darron Giddens, Chief Financial Officer

Darron Giddens will be offering himself for re-election at the forthcoming Annual General Meeting.

The biographical details of the current Directors of the Company are given on page 14.

Details of Directors' interests in the Company's shares, service contracts and remuneration are set out in the Directors' Remuneration Report on pages 19 and 20.

Fees in relation to Jill Collighan (a former Director of the company) were paid to MXC Advisory Limited a subsidiary of MXC Guernsey Limited which has a 10.6% holding in the shares of the Company (shareholding at 30 September 2024: 10.6%) and which holds loan notes in the Company to the value of £6.1 million at the date of signing these accounts. The loan notes were repaid in full on 31 October 2024, further details in Note 28. No other Director had a material interest in any significant contract with the Company or any of its subsidiaries during the year.

Directors' report (continued)

Directors (continued)

The Company maintains liability insurance for its Directors and Officers. The Directors and Officers have also been granted a qualifying third-party indemnity provision under the Companies Act 2006. That indemnity provision has been in force throughout the year and remains in force at the date of this report.

Substantial shareholdings

As at 30 March 2025, the following substantial shareholding interests had been notified to the Company. These balances also reflect the holding at 30 September 2024.

	Number of ordinary shares	Percentage held
Mark Halpin (CEO) and Caroline Halpin	140,713,578	19.93%
Mark Ward	110,000,000	15.58%
MXC Capital Limited	75,066,275	10.63%
Hargreaves Lansdown Asset Management Limited	38,500,000	5.45%
Andy Mills (Non-Executive Director)	32,724,088	4.63%
Simon Duckworth (Non-Executive Chairman) and Lady Caroline Duckworth	25,850,000	3.66%

Share options and Long Term Incentive Plan

The Company had 52,613,250 (FY23: 55,029,500) share options in issue at 31 October 2024 in which qualifying colleagues were awarded options to encourage shared ownership and enhance retention, recruitment and incentivisation across the business. No additional share options were issued during the financial year ending 30 September 2024.

Following the sale of the discontinued operations in October 2024, a further 18,053,250 share options lapsed as a result of employees leaving the CloudCoCo Group. This resulted in there being 34,560,000 share options in issue as at 30 March 2025, representing 4.89% of the issued share capital.

All share options have an exercise price of 1 pence per Ordinary Share and can be exercised at various dates between now and 19 August 2032 in the event the Company's share price being greater than 2 pence per Ordinary Share at the date of exercise or otherwise if there is a qualifying transaction, thereby aligning the interests of recipients with those of shareholders. Details of the share options remaining in force can be found in Note 7 to the consolidated financial statements.

In 2017, the Group established a long term incentive plan ("LTIP") to reward shareholder value generated reflected by a share price above 4.2p pence per share. Whilst active, the scheme holds no current value to its members or liability to the Group.

Share warrants

During FY22, the Company issued 4,000,000 share warrants to the vendors of Systems Assurance Limited, giving them the right to subscribe in cash for Ordinary Shares in the Group, at a Subscription Price of 1.5p per Ordinary Share, subject to certain pre-conditions during the ten-year period Exercise Period, commencing 3 March 2022. Further details are provided in Note 7 to the consolidated financial statements. No share warrants were issued during FY24

Corporate Governance

The Company recognises the importance of operating a robust corporate governance policy to give stakeholders confidence that that the company is managed in an effective, transparent, and accountable manner. The Corporate Governance statement on pages 14 to 18 is included in this report by cross reference.

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. See note 28 for further details.

Financial risk management and objectives

Details of the financial risk management policies and objectives are contained in Note 27 to the consolidated financial statements.

Equal Opportunities

The Group is an equal opportunities employer and promotes an environment free from discrimination, harassment and victimisation, where everyone receives equal opportunities and career development regardless of age, gender, nationality, ethnic origin, religion, marital status, sexual orientation or disability. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit.

The Group gives full and fair consideration to applications for employment from disabled people and encourages and assists the recruitment, training, career development and promotion of disabled people. The Group endeavours to retain and adjust the environment of employees who become disabled during the course of their employment.

Directors' report (continued)

Awareness of relevant audit information

Each of the Directors who held office at the date of approval of this Directors' Report confirms that, so far as they are aware:

- there is no relevant audit information of which the Auditor is unaware; and
- the Directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

Annual General Meeting

The Annual General Meeting will be held on 28 April 2025 at 12:30 p.m.

Notice of the Annual General Meeting will be sent to shareholders on 31 March 2025.

Independent Auditor

Barnes Roffe LLP, will be proposed for reappointment as the Group's auditor in accordance with section 485 of the Companies Act 2006.

By order of the Board

Darron Giddens
Company Secretary

30 March 2025

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and company financial statements for each financial year. The Directors have elected under company law and are required by the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with UK-adopted international accounting standards. The Directors have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and UK-adopted international accounting standards to present fairly the financial position and performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions, disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the CloudCoCo Group plc website. Legislation in the United Kingdom governing the preparation and dissemination of the accounts and other information included in annual reports may differ from legislation in other jurisdictions.

Independent Auditor's report to the members of CloudCoCo Group plc

Opinion

We have audited the financial statements of CloudCoCo Group PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2024, which comprise the group Statement of comprehensive income, the group and company Balance sheets, the group Statement of cash flows, the group and company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including UK adopted International Accounting Standards applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2024 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters	Group <ul style="list-style-type: none">• Carrying value of goodwill and other intangible assets• Accounting for leases under IFRS16 specifically surrounding the accounting for Data Centre Leases• Going concern• Accounting for assets held for sale under IFRS 5 Discontinued operations and assets held for sale Parent Company <ul style="list-style-type: none">• Impairment of Intercompany receivables
Materiality	Group <ul style="list-style-type: none">• Overall materiality: £198,400 (2023: £195,000)• Performance materiality: £148,800 (2023: £150,000) Parent Company <ul style="list-style-type: none">• Overall materiality: £72,600 (2023: £42,000)• Performance materiality: £54,500 (2023: £31,500)
Scope	Our audit procedures covered 100% of revenue, 99% of total assets and 99% of loss before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's report to the members of CloudCoCo Group plc (continued)

Key Audit Matter	How the scope of our audit addressed the key audit matter
<p>Carrying value of goodwill and other intangible assets</p> <p>The carrying value of goodwill and other intangible assets as at 30 September 2024 are £253k and £546k respectively.</p> <p>The carrying value of goodwill in accordance with IAS36 is required to be tested for annual impairment along with whether there is any indication of impairment of the other intangibles. The measurement of the recoverable amount requires the preparation of detailed cash flow forecasts that are subject to a number of highly sensitive assumptions surrounding the future trade of the Group.</p>	<p>We obtained from management their impairment analysis and was prepared on a Discounted Cash Flow basis. We tested the underlying methodology and calculations based on the initial assumptions utilised to ensure they were consistent with requirements of IAS36.</p> <p>We challenged the assumptions of which the following are deemed as being the highest risk:</p> <ul style="list-style-type: none"> • WACC • Growth Rates • Length of Forecast • Future EBITDA <p>We evaluated critically the assumptions by reworking the calculations and challenged management by:</p> <ul style="list-style-type: none"> • Comparing the model to the actual performance for the year ended 30 September 2024 • Comparing the assumptions of the prior year to the actual performance of the year ended 30 September 2024 • Comparing the assumptions used in the prior year to the current year to identify any changes and obtaining explanations from management • Performing sensitivity analysis on key assumptions • Recalculating the WACC and comparing the rates used. • Comparing the recoverable amount calculated by management to the market capitalisation of the group • Comparison of the outcome to reports prepared by external advisors <p>We also assessed whether the management's assertion that the testing of impairment was performed at the lowest level of assets that are capable of generating independent cash flows was appropriate. We concluded that goodwill and other intangibles are not materially misstated.</p>
<p>Accounting for leases under IFRS16 specifically surrounding the accounting for Data Centre Leases</p> <p>CloudCoCo Connect Limited enters into arrangements for data centre providers for the use of rack space. Management analysed the terms of the arrangements and applied judgement in assessing whether they provide control over the assets in accordance with IFRS16 Leases. The total value as at 30 September 2024 of these leases is £0.8m.</p> <p>The measurement of the right of use asset required the use of judgement in assessing the length of term that the company is committed to and the applicable discount rate.</p>	<p>We inspected the agreements for the data centres to understand the terms relating to the use of the assets and the rights of the company and the ability to terminate.</p> <p>We assessed whether the group's policy in respect of short leases was consistent with the requirements of IFRS16.</p> <p>We challenged the assumptions and the rate used to discount the right of use asset and lease liability by comparison to previously used rates and market data.</p> <p>The models were tested for data integrity and accuracy.</p> <p>A sample of invoices was reviewed to confirm the accuracy of the provision with a sample of locations tested to income to confirm there are no unrecognised onerous contracts.</p>
<p>Impairment of Intercompany receivables</p> <p>At 30 September 2024 the parent company has receivable balances due from its subsidiary undertakings with a value of £8.02m. However the group reported an operating loss of £2.3m. This increases the risk that the balance may not be recoverable.</p>	<p>The underlying assumption is that the subsidiary companies will be able to repay amounts up to its own net assets and an impairment is recognised to reduce the carrying value to that of the Group Net Assets.</p> <p>We have reviewed these assertions and forecasts to ensure there is no further funds that can be repaid. We challenged the assumptions utilised and performed sensitivity analysis on the assumptions to assess the impact of changes in assumptions regarding the cash flows.</p>

Independent Auditor's report to the members of CloudCoCo Group plc (continued)

Key Audit Matter	How the scope of our audit addressed the key audit mater
<p>Going Concern</p> <p>The group had significant loan notes totalling £6.2m that were repaid in October 2024, in addition the group is loss making.</p>	<p>We obtained and reviewed the group's detailed forecasts to assess its ability to generate sufficient cash flows from its continuing trade and to meet its financial obligations as they fall due. Our review identified that the group required funds to repay the loan notes maturing in October 2024.</p> <p>Subsequent to the year-end, the group disposed of two trading subsidiaries, CloudCoCo Limited and CloudCoCo Connect Limited, which enabled the repayment of these loan notes in full.</p> <p>Also, the sale of the two subsidiaries provided additional cash which is sufficient to continue trading for at least 12 months from the date of signing the financial statements, at least until 31 March 2026.</p> <p>We evaluated the key assumptions underpinning the forecasts, assessed their reasonableness, and considered the results of various stress tests performed by management.</p>
<p>Accounting for assets held for sale under IFRS 5 Discontinued operations and assets held for sale</p> <p>The group sold its interests in CloudCoCo Limited and CloudCoCo Connect Limited in October 2024 to a third party</p>	<p>We assessed the appropriateness of the directors classifying the entities as assets held for sale under IFRS 5. We reviewed the conditions for sale, the readiness for sale and probability of sale as at 30 September 2024 in line with IFRS 5 alongside the share purchase agreements and other correspondence and board minutes.</p> <p>We have reviewed the presentation in the financial statements and disclosure of the entities as assets held for sale and deemed this to be appropriate throughout agreeing the figures to the underlying accounting records and our own audit work.</p> <p>We have reviewed the valuation of the entities at their sales price when reviewing for an impairment of the assets held for sale. No impairment was thought necessary.</p>

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£198,400 (2023: £195,000)	£72,600 (2023: £42,000)
Basis for determining overall materiality	0.75% of Revenue	2% of net assets
Rationale for benchmark applied	Revenue is considered to be the most appropriate measure used to assess the performance of the group during the period in which it is seeking to grow revenues and return to profitability.	Net assets are considered to be the appropriate measure as the company's activity is to hold investments in group companies.
Performance materiality	£148,400 (2023: £150,000)	£54,050 (2023: £31,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £10,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £2,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's report to the members of CloudCoCo Group plc (continued)

An overview of the scope of our audit

The group consists of the parent company, four trading companies and 5 other entities which were dormant or non-trading.

All entities are based in the UK. Our audit approach was designed to focus on areas of significant risk and materiality across the group. We determined the scope of our work based on our assessment of risks of material misstatement and the financial significance of each component. As a result, we performed:

	Number of components	Revenue	Total assets	Profit/Loss before tax
Full scope audit	1	0%	74%	74%
Specific audit procedures*	4	100%	25%	25%
Total	5	100%	99%	99%

* Specific audit procedures were performed in order to obtain sufficient and appropriate coverage over the group's loss before tax, revenue and borrowings.

Full scope audits were performed for the parent company, specific audit procedures for four subsidiary companies were undertaken.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of management's going concern evaluation and reviewing cashflow forecasts to include an assessment of the knowledge of the Group's strategies, markets and risks by the preparer of the forecast;
- evaluating management's ability to accurately forecast performance through comparison of historic performance against forecast;
- performing sensitivity analysis and stress tests to understand the impact of reasonably possible outcomes, or changes to assumptions;
- testing the integrity and mechanical accuracy of the forecast model; and
- considering the adequacy of the disclosures relating to going concern included within the financial statements against the requirements of the accounting standards and consistency of disclosures against forecasts and going concern assessment of the Directors.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent Auditor's report to the members of CloudCoCo Group plc (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

Independent Auditor's report to the members of CloudCoCo Group plc (continued)

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
UK-adopted IAS including IFRS, Companies Act 2006 and AIM Rule 19	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of advice received from external tax advisors.
Telecoms regulation enforced by Ofcom	Inquiry of management and review of board minutes and inspections of legal and regulatory correspondence along with a check to the Ofcom Register

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue cut-off	For a sample of contract assets and liabilities, recalculating the revenue recognised (and the associated accrual/deferral), based upon the terms of the underlying contracts and invoices; and For samples of monthly and quarterly billed revenue transactions, in the identified cut-off periods, verifying that revenue has been recognised in the correct period.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mario Ciantanni (Senior Statutory Auditor)
for and on behalf of

Barnes Roffe LLP
Chartered Accountants
Charles Lake House
Claire Causeway
Crossways Business Park
Dartford
Kent
DA2 6QA

Date: 30 March 2025

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 EBITDA¹		1,557	1,915	63	47	1,494	1,868
Amortisation of intangible assets	10	(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	11	(1,392)	(879)	(14)	(11)	(1,378)	(868)
Depreciation of tangible assets and other right of use assets	11	(293)	(249)	(1)	(1)	(292)	(248)
Exceptional items	4	(481)	(277)	—	—	(481)	(277)
Share-based payments	7	(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)	(4)	(1,019)	(809)
Loss before taxation		(3,368)	(2,566)	(553)	(603)	(2,815)	(1,963)
Taxation	8	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	(0.21)p

The accompanying accounting policies and notes on pages 35 to 55 are an integral part of these consolidated financial statements.

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	10	799	11,295
Property, plant and equipment	11	85	312
Right of Use assets	11	3	1,530
Total non-current assets		887	13,137
Current assets			
Inventories	12	76	76
Trade and other receivables	13	516	4,443
Contract assets	14	—	395
Cash and cash equivalents	15	1,042	794
Current assets excluding assets held for sale		1,634	5,708
Assets classified as held for sale	16	14,976	—
Total current assets		16,610	5,708
Total assets		17,497	18,845
Current liabilities			
Trade and other payables	17	(1,690)	(6,878)
Contract liabilities	18	—	(1,820)
Provision for onerous contracts	19	—	(148)
Borrowings	20	(6,085)	(69)
Lease liability	21	(3)	(1,138)
Current liabilities excluding those associated with assets held for sale		(7,778)	(10,053)
Liabilities associated with assets held for sale	16	(11,575)	—
Total current liabilities		(19,353)	(10,053)
Non-current liabilities			
Contract liabilities	18	—	(311)
Provision for onerous contracts	19	—	(684)
Borrowings	20	(100)	(5,335)
Lease liability	21	—	(476)
Deferred tax liability	23	(136)	(951)
Total non-current liabilities		(236)	(7,757)
Total liabilities		(19,589)	(17,810)
Net assets		(2,092)	1,035
Equity			
Share capital	24	7,062	7,062
Share premium account	24	17,630	17,630
Capital redemption reserve	24	6,489	6,489
Merger reserve	24	1,997	1,997
Other reserve	24	341	370
Retained earnings	24	(35,611)	(32,513)
Total equity (see note 28 for post balance sheet event)		(2,092)	1,035

These financial statements were approved and authorised for issue by the Board of Directors on 30 March 2025.

Signed on behalf of the Board of Directors by

Darron Giddens

Director

The accompanying accounting policies and notes on pages 35 to 55 form an integral part of these financial statements.

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 28 for post balance sheet event)	7,062	17,630	6,489	1,997	341	(35,611)	(2,092)

The accompanying accounting policies and notes on pages 35 to 55 form an integral part of these financial statements.

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 11)	(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 COVID-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 28 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.

Notes to the consolidated financial statements (continued)

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.

Notes to the consolidated financial statements (continued)

d) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the statement of financial position date. All exchange differences are recognised in the Consolidated Income Statement.

e) Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. The depreciation policy is contained in principal accounting policy (i).

f) 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.

g) Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

h) 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.

i) 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.

j) 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).

Notes to the consolidated financial statements (continued)

k) 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.

l) 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.

m) Inventories and work in progress

Inventories are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. The cost is calculated using the FIFO basis. Work in progress relates to costs incurred on part-completed work.

n) Taxation

Current tax is the tax currently payable based on taxable results for the year. Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Consolidated Income Statement, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

o) 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. Details of the expected credit loss provision for trade receivables is shown in note 13.

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.

Notes to the consolidated financial statements (continued)

p) Cash and cash equivalents

Cash at bank and in hand comprises cash on hand and demand deposits.

q) Financial liabilities

Financial liabilities comprise of trade and other payables, lease liabilities and borrowings. Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. All interest-related charges are recognised as an expense in "finance costs" in the Consolidated Income Statement. Loan notes are raised for support of long-term funding of the Group's operations. The financial liability arising on the loan notes is carried at amortised cost.

Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the Consolidated Income Statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Modification of the terms of a liability is accounted for as an extinguishment of the original liability and recognition of a new liability when the modification is substantial. A modification is deemed to be substantial if the net present value of the cash flows under the modified terms, including any fees paid or received, is at least 10 per cent different from the net present value of the remaining cash flows of the liability prior to the modification, both discounted at the original effective interest rate of the liability prior to the modification.

r) Onerous contracts

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

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

s) Issued share capital

Ordinary shares are classified as equity. Incremental costs attributable to the issue of shares or options are recorded in equity as a deduction from proceeds.

t) 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.

u) Employee benefits

Share-based payment – equity-settled

All material share-based payment arrangements are recognised in the financial statements. All goods and services received in exchange for the grant of any share-based remuneration are measured at their fair values. Fair values of employee services are indirectly determined by reference to the fair value of the share options awarded, excluding those that have lapsed as a result of staff leaving the company. Their value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All share-based remuneration is ultimately recognised as an expense in the Consolidated Income Statement with a corresponding credit to "other reserve". If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received, net of attributable transaction costs, are credited to share capital and share premium.

Share-based payment – modification, cancellation and issue of replacement awards.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Notes to the consolidated financial statements (continued)

v) Pension

The Group makes payments to defined contribution retirement benefit plans that are charged as an expense as they fall due. Payments are made on the basis of a percentage of qualifying salary for certain employees to personal pension schemes.

w) Government Grants

The Group received funding from various Government sources in relation to COVID-19 in FY22. Government income is recognised in profit or loss (within other income) on a systematic basis over the periods in which the Group recognises costs for which the grants are intended to compensate. Where it is not yet considered highly probable that Government funding will not have to be repaid, this element is deferred on the balance sheet within other creditors.

x) 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 24).

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 18.

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 10.

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 (j) above and note 10.

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.

Notes to the consolidated financial statements (continued)

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 EBITDA¹ 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 EBITDA¹ 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.

Notes to the consolidated financial statements (continued)

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 leases	—	—	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 28.

7. Employee costs

7.1 Directors and employees

At 30 September 2024, the Group employed 82 staff (2023: 91). The average number of staff employed by the Group during the financial year amounted to 85 (2023: 111) of which 12 (2023: 13) are employed within continuing operations as follows:

	Continuing 2024	Continuing 2023	Discontinued 2024	Discontinued 2023
Management staff	3	3	12	12
Operational staff	9	10	61	86
Total	12	13	73	98

Employee numbers are stated including executive and non-executive Directors.

7.2 Employee remuneration including directors

	Continuing 2024 £'000	Continuing 2023 £'000	Discontinued 2024 £'000	Discontinued 2023 £'000
Wages and salaries	534	539	3,804	4,292
Pension contributions	12	10	97	106
Social security costs	58	58	426	466
Total	604	607	4,327	4,864

There were £18,000 of pension contributions payable at the reporting date (2023: £17,000)

Notes to the consolidated financial statements (continued)

7.3 Directors

Details of individual Directors' emoluments for the year are as follows:

	Fees and salaries		Employer's NI contributions		Other benefits		Totals (including employer's NI)	
	2024	2023	2024	2023	2024	2023	2024	2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-Executive								
S Duckworth	43	43	5	5	—	—	48	48
J Collighan (resigned 30 June 2024) ¹	29	39	—	—	—	—	29	39
A Mills (resigned 17 May 2024) ²	48	43	—	—	—	—	48	43
Executive								
M Halpin (resigned 29 April 2024)	96	160	12	21	13	13	120	194
D Giddens	100	105	13	13	5	5	118	123
Total	316	390	30	39	18	18	363	447

Other benefits include £2,900 (FY23: £4,500) in respect of pension contributions for M Halpin and £3,000 (FY23: £3,000) in respect of pension contributions for D Giddens. Additional benefits for M Halpin relate to company car fees of £11,500 (FY23: £7,000) and private health insurance premiums of £1,149. Additional benefits for D Giddens relate to private health insurance premiums.

1. Fees in relation to J Collighan were paid to MXC Capital Advisory Limited (see note 25).

2. A Mills fees includes £8,000 (FY23: £9,000) of payments relating to Group subsidiaries.

7.4 Share-based payments

(i) Share option plans for employees

The Company has an HMRC-approved EMI share option scheme for certain staff and senior management. There is also an unapproved share option scheme in place which is used where the awards do not fall under the rules of the approved scheme.

The unapproved scheme has no set term and the current arrangements continue until further notice. In both schemes, upon vesting, each option allows the holder to purchase one Ordinary Share at the pre-agreed option price. All share-based employee remuneration will be settled in equity. The Group has no legal or other obligation to repurchase or settle the options.

No share options were issued during the year (2023: Nil). Share options have been issued historically to qualifying colleagues to encourage shared ownership and enhance employee retention, recruitment and incentivisation across the business. All share options in issue have an exercise price of 1 pence per Ordinary Share and can be exercised at any time between now and 19 August 2032., subject to performance clauses.

All share options will only accrue value in the event the Company's share price being greater than 2 pence per Ordinary Share at the date of exercise (or if there is a qualifying transaction), thereby aligning the interests of recipients with those of shareholders. Some members of the Senior Management Team have additional performance criteria attached to a proportion of their share options, requiring trading overheads to be covered by recurring gross profits. The scheme also contains provisions for Share Options to be exercised in the event of a change of control of the business.

Of the 21,500,000 Employee Options issued in the year ended 30 September 2022, 14,700,000 were granted to the Company's former Chief Executive Officer Mark Halpin. As a member of the Concert Party created on 19 October 2019 when the Company acquired CloudCoCo Limited, the new Options granted to Mark Halpin carry further restrictions in that whilst the Concert Party, of which Mark is part, holds between 30 and 50 per cent of the share capital of the Company, these new options cannot be exercised without triggering the provisions of Rule 9 of the Takeover Code. These restrictions do not apply to the 7,500,000 existing options granted to Mark Halpin on 20 November 2020, as they were granted at a time when the Concert Party held more than 50 per cent of the Company's issued share capital. Whilst Mark Halpin resigned as a director on 29 April 2024, the share options he holds in the Company continue to be exercisable under the terms of the share option scheme.

During the year 2,416,250 share options lapsed (2023: 14,695,500) in accordance with the share issue documents. At 30 September 2024, the Company had granted the following outstanding share options:

	2024	2024	2023	2023
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 October	55,029,500	1.0p	69,725,000	1.0p
Granted	—	1.0p	—	1.0p
Lapsed	(2,416,250)	1.0p	(14,695,500)	1.0p
Outstanding at 30 September	52,613,250	1.0p	55,029,500	1.0p

No options are vested and exercisable at the balance sheet date. No options expired during the periods covered by the tables above.

Notes to the consolidated financial statements (continued)

7.4 Share-based payments (continued)

The total number of share options outstanding at 30 September 2024 was 52,613,250 as follows:

Date granted	Balance 2024	Movement during the year	Balance 2023	Exercise price	Dates exercisable	Remaining contractual life (months)
20 November 2020	36,313,250	(2,416,250)	38,729,500	1.00p	20 November 2023–20 November 2030	86
19 August 2022	16,300,000	—	16,300,000	1.00p	19 August 2024–19 August 2032	95
Total	52,613,250	(2,416,250)	55,029,500	1.00p		

In determining the fair value of the share options granted on 20 November 2020 and 19 August 2022, the Company assessed the historical share price volatility associated with the Company's share price and the effective risk-free rate of interest inherent in the debt element of this instrument.

Non-employee share options and warrants

On 3 September 2021, the Company issued 4,000,000 share warrants at a subscription Price of 1.5p per Ordinary Share to the vendors of Systems Assurance Limited and More Computers Limited (the "Acquired Companies") in order to incentivise them to further assist with the integration of the business beyond the initial acquisition.

The share warrants can be exercised in the period commencing 3 March 2022 up to and including 3 March 2032. The exercise of the share warrants is conditional upon the Company's share price in the five consecutive days preceding relevant notice of exercise being not less than 2 pence per ordinary share and the prior six months' revenue from new or qualifying customers in the Acquired Companies being at least £3,200,000 calculated on the last day of the calendar month starting 50 days before the date of the relevant notice of exercise.

The total share-based payments charge included in the Consolidated Income Statement is:

	2024 £'000	2023 £'000
Share options	25	118
Share warrants	1	1
Total	26	119

8. 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 £'000	2023 £'000
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	(87)	—
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%.

Notes to the consolidated financial statements (continued)

9. 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, details of which are given in Note 7, would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive under the terms of IAS 33.

10. 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
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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%).

Notes to the consolidated financial statements (continued)

10. Intangible assets (continued)

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.

11. 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 20.

Notes to the consolidated financial statements (continued)

	2024 £'000	2023 £'000
12. Inventories		
Consumables	43	38
Work in progress	33	38
Inventories	76	76

£20k of stock and work in progress within discontinued operations at 30 September 2024, are classified as assets held for sale.

13. Trade and other receivables

	2024 £'000	2023 £'000
Trade receivables	482	2,821
Other debtors	—	76
Prepayments	34	1,546
Trade and other receivables	516	4,443

£3,809,000 of trade and other receivables within discontinued operations at 30 September 2024, are classified as assets held for sale. Further details are shown in Note 16.

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. At 30 September 2024 trade receivables amounting to £27,000 (2023: £602,000) were past due but not impaired.

The age of trade receivables not impaired is as follows:

	2024 £'000	2023 £'000
Less than 30 days	429	1,500
30–59 days	26	364
60–89 days	27	355
90–119 days	—	153
120+ days	—	449
	482	2,821

Trade receivables at the reporting date comprise amounts receivable from the provision of the Group's products and services. The average credit period taken on the provision of these services is 17 days (2023: 34 days). At 30 September 2024, no provision for impairment of trade debtors is required for continued operations because the company believes it has sufficient trade credit insurance in place to mitigate the risk of non-payment in the continuing operations. £125,000 of impairment provision has been provided against assets held for sale at 30 September 2024, compared to a provision of £229,000 in the prior year as follows:

	2024 £'000	2023 £'000
Opening impairment provision	229	415
Subsequently recovered from customers	(137)	(257)
Unrecoverable balances from customers written-off	(7)	(1)
Provision in year	40	72
Re-classified as assets held for sale	(125)	—
Impairment provision	—	229

14. Contract assets

	2024 £'000	2023 £'000
Contract assets	—	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. £402k of contract assets at 30 September 2024 are classified as assets held for sale.

Notes to the consolidated financial statements (continued)

15. Cash and cash equivalents

Cash balances are held with a small number of counterparties. The Group manages its cash centrally through inter-company loans, ensuring funds are available where needed across its subsidiaries. This allows the group to efficiently pay liabilities, optimise working capital, and reduce reliance on external borrowing.

	2024 £'000	2023 £'000
Cash at bank and in hand	1,042	794

There were no other borrowing facilities in place at 30 September 2024 other than the loan notes issued to MXC Guernsey Limited and the COVID-19 Bounce Back Loan (Note 20).

16. 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 Limited £'000	CloudCoCo Connect Limited £'000	Total £'000
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

17. Trade and other payables

	2024 £'000	2023 £'000
Trade payables	1,466	5,655
Accruals	155	512
Other taxes and social security costs	69	711
Trade and other payables	1,690	6,878

18. Contract liabilities

Following the re-classification of assets and liabilities held for sale, there were no contract liabilities in place at 30 September 2024. In the prior year, the aggregate amount of the transaction price (the total contract value) allocated to unsatisfied performance obligations at 30 September 2023 was £11.7 million and is attributed to revenues in future periods as follows:

	2024 £'000	2023 £'000
Within 6 months	—	4,060
6 to 12 months	—	4,240
12 to 24 months	—	2,450
Greater than 24 months	—	977
	—	11,727

Notes to the consolidated financial statements (continued)

19. Provision for onerous contracts	2024 £'000	2023 £'000
Provisions for onerous contracts – short-term element	—	148
Provisions for onerous contracts – long-term element	—	684
Provisions for onerous contracts	—	832

As part of the acquisition of CloudCoCo Connect Limited in 2021, the Group became party to a number of onerous contracts for redundant dark-fibre circuits that remain under term contracts which expire over numerous accounting periods up until November 2032. The total amount payable over the term in relation to onerous contracts was £1.1 million. All £799k of onerous contracts are included within the assets and liabilities held for sale.

	2024 £'000	2023 £'000
Opening balance	832	1,075
Payments	(133)	(140)
Unwinding of discount on provisions	100	(103)
Re-classification as assets and liabilities held for sale	(799)	—
Closing balance	—	832

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

The recognition of the onerous liability is based on a reliable estimate of the expected costs and benefits of the contract. The liability has been recognised in the opening balance sheet for Connect and has been measured at the present value of the expected future cash outflows, using a discount rate equivalent to the current risk-free rate of government bonds over the term of the onerous contracts.

20. Borrowings

20.1 Current

	2024 £'000	2023 £'000
Loan notes (transferred from non-current liabilities)	5,242	—
Accrued interest on loan notes repayable in October 2024	774	—
Loan notes	6,016	—
COVID-19 Bounce-back loan repayable – short-term element	19	19
Deferred consideration for acquisition of CloudCoCo Connect Limited - short-term element	50	50
	6,085	69

20.2 Non-current

	2024 £'000	2023 £'000
Loan notes	—	4,723
Accrued interest on loan notes repayable in October 2024	—	519
Loan notes (transferred to current liabilities)	—	5,242
COVID-19 Business Bounce-back loan repayable – long-term element	25	41
Deferred consideration for acquisition of CloudCoCo Connect Limited - long-term element	75	52
	100	5,335

On 10 May 2022, 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 was covered by the UK Government and the Company will repay the loan in 59 equal monthly instalments, which commenced in June 2023.

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, which commenced in March 2023.

20.3 Net debt – net debt comprises:

	2024 £'000	Cash movements £'000	Other movements £'000	2023 £'000
Loan notes (see note 22)	6,016	—	774	5,242
COVID-19 Bounce-back loans	44	(16)	—	60
Deferred consideration	125	(50)	73	102
Lease liabilities	3	(178)	(1,433)	1,614
Cash and cash equivalents	(1,042)	(248)	—	(794)
Total	5,146	(492)	(586)	6,224

Notes to the consolidated financial statements (continued)

21. Lease Liabilities

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

During the year, the Group entered into new or modified IFRS16 right of use leases of £1.7 million (FY23: £1.7 million). Those leases, which had less than 12 months remaining on the date of acquisition, were treated as short-term leases up until the point at which they were renewed or modified.

	2024 £'000	2023 £'000
Opening balance	1,614	845
Additions	172	1,294
Modifications	1,234	388
Disposals	(115)	-
Related interest expense	47	205
Repayment of lease liabilities	(1,504)	(1,118)
Re-classified as liabilities associated with assets held for sale	(1,445)	—
Closing balance	3	1,614
Current	3	1,138
Non-current	—	476
	3	1,614

The total cash outflows from leases (including lower value and short-life leases) in the financial year was £2.294,000 (2023: £2,064,000) of which £466,000 relates to short-life leases (2023: £946,000).

22. Financial instrument

As part of a loan note consolidation on 21 October 2019, the Company agreed to modify a loan note originally provided to Business Growth Fund (“BGF”) on 26 May 2016. The original loan note contained a provision for share options which were immediately exercised. The directors considered this to be in consideration for the extinguishment of Loan Notes with a principal amount of £1.5m and accrued interest of £0.1m. In accordance with IAS 32, the carrying value of the Loan Notes that were extinguished, £1.3m, was derecognised and recorded in equity.

On the same date, the remaining loan notes with a principal amount of £3.5m were acquired by a MXC Guernsey Limited, a subsidiary of MXC Capital (UK) Limited. The terms of the loan notes were revised by increasing the coupon to 12% per annum compound, rolled up and payable at maturity, and extending the term to October 2024. When measured using the loan notes’ original effective interest rate, the present value of the cash flows of the revised instrument were not significantly different to that of the instrument prior to the modification. As a result, the Loan Notes were not treated as a new instrument and continue to be measured at amortised cost. On 29 April 2024, the repayment date for the loan notes was subsequently extended to 31 August 2026. 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 28.

23. 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

Notes to the consolidated financial statements (continued)

24. Share capital and reserves

Share capital and reserves comprises the following:

- “Share capital” represents the nominal value of equity shares;
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares; net of expenses of the share issue;
- “Capital redemption reserve” represents the nominal value of cancelled Deferred Shares;
- “Merger reserve” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue, in connection with acquisitions;
- “Other reserve” represents equity-settled share-based employee remuneration until such share options are exercised. In the financial statements at 30 September 2019 other reserves also included the equity element in the form of share options, contained in the financial instrument issued to the Business Growth Fund on 26 May 2016.
- ‘Revaluation reserve’ represents the increase in the value of intangible fixed assets, when they are revalued. This gain is recorded in a separate reserve within shareholders’ equity
- Retained earnings reserve” represents retained profits and accumulated losses.

24.1 Share capital

Shares issued and fully paid

	2024 £'000	2023 £'000
Beginning of year	7,062	7,062
Shares issued and fully paid	7,062	7,062

Share capital allotted, called up and fully paid

	2024 No. Ordinary Shares	2023 No. Ordinary Shares
Ordinary shares of £0.01p	706,215,686	706,215,686

24.2 Share premium

	2024 £'000	2023 £'000
Beginning of year	17,630	17,630
End of year	17,630	17,630

24.3 Capital redemption reserve

At the Company’s Annual General Meeting on 27 March 2015, the Company was authorised to enter into a contract for the off-market purchase of all of the Deferred Shares of £0.009 each in its capital for cancellation. A single new Ordinary Share of £0.01 was issued by the Company on that date to finance the off-market purchase. In accordance with Section 733 of the Companies Act 2006, this cancellation of shares created a capital redemption reserve. Article 3 of the Companies (Reduction of Share Capital) Order 2008 (SI 2008/1915) allows such reduction to be treated as a realised profit and it therefore may be used to distribute to shareholders or used to buy back shares.

24.4 Merger reserve

The merger reserve represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue, in connection with acquisitions.

24.5 Other reserve

	2024 £'000	2023 £'000
Beginning of year	370	458
Share based payment	(29)	(88)
End of year	341	370

24.6 Retained earnings

	2024 £'000	2023 £'000
Beginning of year	(32,513)	(30,629)
Arising on loss and total comprehensive loss for the period	(3,153)	(2,091)
Share options lapsed	55	207
End of year	(35,611)	(32,513)

Notes to the consolidated financial statements (continued)

25. Related party transactions

Details of Directors' interests in the Company's shares, service contracts and remuneration are set out in the report of the Board to the members on Directors' remuneration on pages 19 and 20. The Directors are also considered to be the Group's Key Management Personnel and their remuneration details can be found in Note 7.

Mark Halpin, a former Director of the Company had a 19.9% holding in the shares of the Company at 30 September 2024. In addition, Jill Collighan, a former Director of the Company, was also an employee of MXC Capital (UK) Limited ("MXC"), a wholly owned subsidiary of MXC Guernsey Limited ("MXCG"). At 30 September 2024, MXCG had a 10.6% holding in the shares of the Company and is considered to have a significant influence over the Group. During the year, the Company purchased consultancy services of £52,500 (FY23: Nil) direct from JWI Partners, a business registered in Guernsey. This business is owned by Ian Smith, who is also a Director of MXCG.

No other Director had a material interest in any significant contract with the Company or any of its subsidiaries during the year save for those disclosed in the accounts.

During the year the Company purchased services including Non-Executive fees for Andy Mills of £21,300 (2023: £43,000) from CoCoNitro Limited, a company jointly owned by Mark Halpin and Andy Mills, none of which (2023: £13,500) was outstanding at the financial year end. In addition, the Company purchased consultancy fees direct from Andy Mills for £26,300 of which £10,000 was outstanding at year end (2023: nil).

Fees invoiced by MXC to the Company include £29,250 (2023: £39,000) for Jill Collighan's services as Non-Executive Director, included as directors' emoluments in Note 7. Additionally, corporate finance advisory and transaction services were purchased from MXC as financial adviser to the Company. The Group purchased services totalling £69,000 (2023: £69,000) from MXC and at 30 September 2024 owed £62,200 to MXC (2023: £27,000).

As part of a refinancing in October 2019, MXCG, acquired £3.5 million loan notes of the Company, the terms of which were varied such that interest is charged at 12% compound per annum rolled up and payable only at the end of the term, which was also extended to 21 October 2024 with no repayment due until that date unless the Company chooses to pay early. At 30 September 2024, the Company owed MXCG £6.0 million (2023: £5.5 million) in respect of the loan notes. On 31 October 2024, the loan notes were repaid in full. Further details are provided in Note 28.

26. Contingent liabilities

There are no contingent liabilities at 30 September 2024 (2023: £nil).

27. Risk management

The Group finances its activities through equity, loan notes and bank funds. No speculative treasury transactions are undertaken and during the last two years no derivative contracts were entered into. Financial assets and liabilities include those assets and liabilities of a financial nature, namely cash, trade and other receivables, trade and other payables, accruals, lease liabilities and borrowings. The Group is exposed to a variety of financial risks arising from its operating activities, which are monitored by the Directors and are reported in the principal risks and uncertainties contained within the Strategic Report on pages 10 to 11.

27.1 Cash and liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

27.2 Interest rate risk

The interest rate on the Group's cash at bank is determined by reference to the bank rate. The Group has available credit card facilities with HSBC of up to £30,000 (2023: £30,000). The interest rate charged on finance leases and commercial loans is a fixed rate agreed at the time of signing the agreement. The interest rate charged by MXCG is at a fixed rate. No interest rate sensitivity analysis has been disclosed as the majority of the Group's borrowings are fixed.

27.3 Capital risk management

The Group's policy on capital structure is to maintain a level of gross cash available, which the Board considers to be adequate to fund a range of potential EBITDA movements, taken from a series of business projections and scenarios. Based on these business projections, the Board believes it has sufficient cash resources at its disposal to pursue its chosen strategy of maximising shareholder returns over the medium to long term from the customer base with a high proportion of contracted recurring revenues. The Group manages its capital to ensure that trading entities in the Group will be able to continue as going concerns, while maximising the medium and long term returns to shareholders through the organisation of cash, debt and equity balances. The capital structure of the Group consists of cash at bank and in hand, debt and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity on page 33.

The Directors seek to promote recurring revenues to a wide range of business customers, to reduce the risks associated with fluctuations in the UK economy and to increase the long-term value to customers and shareholders. If required, the Group will subsidise one-off connection fees in order to generate contracted recurring revenues and secure longer-term business relationships with customers.

The declaration and payment by the Group of any future dividends on the Ordinary Shares and the amount will depend on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time.

Notes to the consolidated financial statements (continued)

27.3 Capital risk management (continued)

Given the Group's stage of development, the Directors do not envisage that the Group will pay dividends in the foreseeable future and intend to reinvest surplus funds in the development of the Group's business. The Board will regularly review the appropriateness of its dividend policy. In order to maintain or adjust the capital structure, the Group may adjust the amount of any pay-outs to the shareholders, return capital to the shareholders, issue new shares, make borrowings or sell assets to reduce debt.

27.4 Credit risk

The Group's policy is to monitor trade and other receivables and avoid significant concentrations of credit risk. The principal credit risk arises from trade receivables. Aged receivables reports are reviewed monthly as a minimum. The credit control function follows a policy of sending reminder letters that start once an invoice is over 30 days overdue. These culminate in a legal letter with the threat of legal action. In a limited number of cases, legal action has been pursued. An aged analysis of receivables is shown in Note 13 to the financial statements.

27.5 Risk management analysis

The information below provides an analysis of the financial assets and liabilities within the scope of IFRS 9 Financial Instruments required by IFRS 7 Financial Instruments: Disclosure. An analysis of the principal sums, relevant to an analysis of risk management, is as follows:

	Financial assets £'000	Non-financial assets £'000	Balance Sheet total £'000
2024			
Trade and other receivables	482	34	516
Other current assets	—	76	76
Cash at bank and in hand	1,042	—	1,042
	1,524	110	1,634
	Financial assets £'000	Non-financial assets £'000	Balance sheet total £'000
2023			
Trade and other receivables	2,897	1,546	4,443
Other current assets	—	76	76
Cash at bank and in hand	794	—	794
	3,691	1,622	5,313

Book value approximates to fair value.

	Other financial liabilities at amortised cost in the balance sheet £'000	Other liabilities not within scope of IFRS 9 £'000	Balance sheet total £'000
2024			
Trade and other payables - short-term element	1,621	—	1,621
Borrowings – short-term element	6,085	—	6,085
Borrowings – long-term element	99	—	99
Lease liability – short-term element	—	3	3
	7,805	3	7,808

Book value approximates to fair value.

	Other financial liabilities at amortised cost in the balance sheet £'000	Other liabilities not within scope of IFRS 9 £'000	Balance sheet total £'000
2023			
Trade and other payables - short-term element	6,167	—	6,167
Contract liabilities – short-term element	—	1,820	1,820
Contract liabilities – long-term element	—	311	311
Borrowings – short-term element	69	—	69
Borrowings – long-term element	5,335	—	5,335
Provision for onerous contracts – short-term element	—	148	148
Provision for onerous contracts – long-term element	—	684	684
Lease liability – short-term element	—	1,138	1,138
Lease liability – long-term element	—	476	476
	11,571	4,577	16,148

Book value approximates to fair value.

Average Trade Creditor days at 30 September 2024 was 98 days (FY23: 84 days).

Notes to the consolidated financial statements (continued)

27.5 Risk management analysis (continued)

The remaining contractual maturity of the Group's financial instrument liabilities, being the undiscounted cash flows, including interest, based on the earliest dates on which the liabilities are required to be paid, are as follows:

	0 to 60 days £'000	61 days to 6 months £'000	6 to 12 months £'000	12 months to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total £'000
2024							
Trade payables	1,267	199	—	—	—	—	1,466
Borrowings	6,197	23	35	102	29	—	6,386
Lease liabilities	2	1	—	—	—	—	3
	7,466	223	35	102	29	—	7,855

	0 to 60 days £'000	61 days to 6 months £'000	6 to 12 months £'000	12 months to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total £'000
2023							
Trade payables	2,683	2,651	321	—	—	—	5,655
Borrowings	3	6	9	6,219	—	—	6,237
Lease liabilities	222	323	390	436	298	195	1,864
	2,908	2,980	720	6,655	298	195	13,756

28. 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 £'000	CloudCoCo Connect Limited £'000	Total £'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

Notes to the consolidated financial statements (continued)

29. Ultimate controlling party

There is no ultimate controlling party.

Statement of financial position (parent company)

as at 30 September 2024

	Note	30 September 2024 £'000	30 September 2023 £'000
Fixed assets			
Fixed asset investments	6	91	235
Total fixed assets		91	235
Current assets			
Debtors	7	8,052	7,471
Cash at bank and in hand		117	102
Total current assets		8,169	7,573
Creditors: amounts falling due within one year	8	(6,533)	(437)
Net current assets		1,636	7,136
Total assets less current liabilities		1,727	7,371
Creditors: amounts falling due in more than one year	9	(83)	(5,385)
Net assets		1,644	1,986
Capital and reserves			
Called up share capital	11	7,062	7,062
Share premium account	11	17,630	17,630
Capital redemption reserve		6,489	6,489
Merger reserve		1,997	1,997
Other reserve		341	370
Retained earnings		(31,875)	(31,562)
Shareholders' funds		1,644	1,986

The parent company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in the financial statements. The parent company's loss for the year and included in the Retained earnings movement was £368,000 (2023: £2,567,000).

Approved by the Board and authorised for issue on 30 March 2025.

Darron Giddens

Director

The accompanying accounting policies and notes form part of these financial statements.

Company number: 05259846

Statement of changes in equity (parent company)

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	(29,202)	4,434
Loss and total comprehensive loss for the period	—	—	—	—	—	(2,567)	(2,567)
Transactions with owners in their capacity as owners							
Share-based payments	—	—	—	—	119	—	119
Share options lapsed	—	—	—	—	(207)	207	—
Total transactions with owners	—	—	—	—	(88)	(2,360)	(2,448)
Total movements	—	—	—	—	(88)	(2,360)	(2,448)
Equity at 30 September 2023	7,062	17,630	6,489	1,997	370	(31,562)	1,986
	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	(31,562)	1,986
Loss and total comprehensive loss for the period	—	—	—	—	—	(368)	(368)
Transactions with owners in their capacity as owners							
Share-based payments	—	—	—	—	26	—	26
Share options lapsed	—	—	—	—	(55)	55	—
Total transactions with owners	—	—	—	—	(29)	55	26
Total movements	—	—	—	—	(29)	(313)	(342)
Equity at 30 September 2024	7,062	17,630	6,489	1,997	341	(31,875)	1,644

The accompanying accounting policies and notes on pages 35 to 55 form an integral part of these financial statements.

Notes to the parent company financial statements

1. Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention basis.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 101 (FRS 101) – The Reduced Disclosure Framework (March 2018), and with the Companies Act 2006.

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 28 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 Compliance with accounting standards

The parent company has taken advantage of the reduced disclosure framework and has the following exemptions available to it:

- the exemption from preparing a statement of cash flows;
- the exemption from providing a reconciliation on the number of shares outstanding; and
- the exemption from disclosing key management personnel compensation.

1.3 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.4 Pensions

The Company does not currently offer a pension scheme for the benefit of its employees, although the Executive Director participates in a pension scheme operated by CloudCoCo Limited, where their payroll costs are prepared before an element is recharged back to the Company.

1.5 Share-based remuneration

The Company issues equity-settled share-based payments to certain employees. The fair value of the shares granted is borne by the Company and is not recharged to the Company's subsidiaries. Share-based payments are calculated at the grant date, based on an estimate of the shares that will ultimately vest, using the Black Scholes model and in accordance with FRS 101.

1.6 Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty

Where there is indication of impairment, the debtors balance is impaired by a charge to the Company's Income Statement. The debtors' balance of £8.0 million (2023: £7.4 million) is recorded in the Company's Balance Sheet and relates to the amounts owed by subsidiary undertakings after impairment. At the end of each period, the minimum level of impairment provided is calculated such that the net assets of the Company are equal to the net assets of the Group excluding deferred tax liabilities relating to intangible assets. In addition, a full line-by-line review of the debtors is carried out for any further impairment. Whilst every attempt is made to ensure that the impairment provision is as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectable.

Notes to the parent company financial statements (continued)

1.7 Financial assets

Financial assets comprise amounts due from subsidiary undertakings and are initially recognised at fair value, plus transaction costs and subsequently measured at amortised cost. At the end of each reporting period, the Company assesses whether there is objective evidence of impairment. If there is objective evidence of impairment, the Company recognises an impairment loss in profit or loss immediately.

1.8 Financial liabilities

Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Company becomes a party to the contractual provisions of the instrument. Loan notes are raised for support of long-term funding of the Group's operations. The financial liability arising on the loan notes is carried at amortised cost. In the financial statements at 30 September 2024, loan notes were treated as a compound instrument as if the options granted to the lender represented an option to convert loan notes into equity.

Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the Company Income Statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Modification of the terms of a liability is accounted for as an extinguishment of the original liability and recognition of a new liability when the modification is substantial. A modification is deemed to be substantial if the net present value of the cash flows under the modified terms, including any fees paid or received, is at least 10 per cent different from the net present value of the remaining cash flows of the liability prior to the modification, both discounted at the original effective interest rate of the liability prior to the modification.

2. Auditor remuneration

Fees payable to the Company's Auditor for the audit of the parent company's annual accounts were £35,000 (2023: £30,000).

3. Employee costs

The average number of staff employed by the Company during the year was 4 (2023: 5). These were all Directors. The costs for the year were £344,000 (2023: £408,000). Further detail is provided in note 7 to the consolidated financial statements.

4. Pension payments

The Company made pension payments of £5,900 during the year (2023: £7,500). Further detail is provided in note 7 to the consolidated financial statements.

5. Share-based payments

The Company has share option plans for employees and there were movements in non-employee share options and warrants during the year. Further detail is provided in note 7 to the consolidated financial statements.

6. Fixed asset investments

	£'000
At 1 October 2022	298
Disposals	(63)
At 30 September 2023	235
Disposals	(144)
At 30 September 2024	91

Additions/disposals relate to the cost of share options awards to employees of the subsidiaries.

At 30 September 2024 the Company had one subsidiary undertaking.

Company	Country of registration or incorporation	Class of shares held	%
Subsidiary undertakings			
CloudCoCo Holdings Limited	Scotland	Ordinary	100

The aggregate amount of capital and reserves and the results of the subsidiary undertakings for the last relevant financial year was:

Company	Principal activity	Net liabilities £'000	Loss for the year £'000
CloudCoCo Holdings Limited	Intermediate holding company	(11,084)	—

Notes to the parent company financial statements (continued)

6. Fixed asset investments (continued)

At 30 September 2024, the Company had the following direct and indirect subsidiaries:

Active companies

Subsidiary company	Holding	Country of incorporation	Shares	Nature of business
CloudCoCo Holdings Limited	100%	Scotland	Ordinary	Holding company
Indirectly held				
CloudCoCo Limited	100%	England and Wales	Ordinary	IT Managed Services
Systems Assurance Limited	100%	England and Wales	Ordinary	IT Managed Services
More Computers Limited	100%	England and Wales	Ordinary	IT Hardware e-commerce
CloudCoCo Connect Limited	100%	England and Wales	Ordinary	IT Manged Services

Dormant companies

Indirectly held subsidiary company	Holding	Country of incorporation	Shares	Nature of business
Pinnacle CDT Limited	100%	England and Wales	Ordinary	Dormant
CloudCoCo Managed IT Limited	100%	England and Wales	Ordinary	Dormant
Ancar-B Technologies Limited	100%	England and Wales	Ordinary	Dormant
Nimoveri Holdings Limited	100%	England and Wales	Ordinary	Dormant

Nimoveri Holdings Limited and Nimoveri Limited, both being dormant indirect subsidiaries of the Company, were dissolved on 15 October 2024 and 6 February 2024 respectively.

On 31 October 2024, after the current year end, the Company sold its interests in CloudCoCo Limited and CloudCoCo Connect Limited. See Note 28 to consolidated accounts for further details.

For the year ending 30 September 2024 the following subsidiaries of the Company were entitled to exemption from audit under s479C of the Companies Act 2006. The Company having issued a parent guarantee to each of the subsidiaries below:

Subsidiary Name	Registered Office	Companies House Registration Number
CloudCoCo Holdings Limited	12/13 St Andrew Square, Edinburgh, EH2 2AF	SC102302
CloudCoCo Limited	The Walbrook Building ,25 Walbrook, London, EC4N 8AF	10989039
Systems Assurance Limited	Carwood Park, Selby Road, Swillington Common, Leeds,	02691103
More Computers Limited	Carwood Park, Selby Road, Swillington Common, Leeds,	04666684

For the year ending 30 September 2024 the following dormant subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006. The Company having issued a parent guarantee to each of the subsidiaries below:

Subsidiary Name	Registered Office	Companies House Registration Number
CloudCoCo Managed IT Limited	Carwood Park, Selby Road, Swillington Common, Leeds, LS15 4LG	06056115
Pinnacle CDT Limited	The Walbrook Building ,25 Walbrook, London, EC4N 8AF	04613699
Ancar-B Technologies Ltd	The Walbrook Building ,25 Walbrook, London, EC4N 8AF	03347248
Nimoveri Holdings Limited	The Walbrook Building ,25 Walbrook, London, EC4N 8AF	11273706

Nimoveri Holdings Limited and Nimoveri Limited, both being dormant indirect subsidiaries of the Company, were dissolved on 15 October 2024 and 6 February 2024 respectively.

7. Debtors

	2024 £'000	2023 £'000
Amounts owed by subsidiary undertakings	8,021	7,402
Prepayments	31	47
Other taxes and social security costs	—	22
	8,052	7,471

The credit in the period relating to impairment of amounts owed by subsidiary undertakings was £1.4 million, (FY23: charge of £0.8 million). The amounts owed by subsidiaries are unsecured, interest free and are repayable on demand.

Notes to the parent company financial statements (continued)

8. Creditors: amounts falling due within one year

	2024 £'000	2023 £'000
Trade creditors	270	235
COVID-19 Bounce back loan repayable – short-term element	9	10
Accruals	142	142
Deferred consideration for the acquisition of CloudCoCo Connect – short term element	50	50
Other taxes and social security costs	46	—
Loan notes	6,016	—
	6,533	437

Further detail on the COVID-19 Bounce back loan is provided in note 20 of the consolidated financial statements. On 31 October 2024, post year-end, the Company repaid the Loan Notes in full. Further details are provided in note 28 of the consolidated financial statements.

9. Creditors: amounts falling due in more than one year

	2024 £'000	2023 £'000
Loan notes	—	5,242
COVID-19 Bounce back loan repayable – long-term element	8	18
Deferred consideration for the acquisition of CloudCoCo Connect Limited – long term element	75	125
	83	5,385

Further detail on the COVID-19 Bounce back loan is provided in note 20 of the consolidated financial statements.

10. Financial instrument

The Company has loan notes in issue and further detail is provided in note 22 of the consolidated financial statements. On 31 October 2024, post year-end, the Company repaid the Loan Notes in full. Further details are provided in note 28 of the consolidated financial statements.

11 Share capital and reserves

Share capital and reserves comprises the following:

- “Share capital” represents the nominal value of equity shares;
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares; net of expenses of the share issue;
- “Capital redemption reserve” represents the nominal value of cancelled Deferred Shares;
- “Merger reserve” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue, in connection with acquisitions;
- “Other reserve” represents equity-settled share-based employee remuneration until such share options are exercised.
- Retained earnings reserve” represents retained profits and accumulated losses.

11.1 Share capital

Shares issued and fully paid

	2024 £'000	2023 £'000
Beginning and end of year	7,062	7,062
Shares issued and fully paid	7,062	7,062

The shares issued to the CloudCoCo Limited vendors were issued on behalf of CloudCoCo Holdings Limited in settlement of the consideration payable for the purchase of the entire issued share capital of CloudCoCo Limited.

Share capital allotted, called up and fully paid

	2024 No. Ordinary Shares	2023 No. Ordinary Shares
Beginning and end of year	706,215,986	706,215,986
End of year	706,215,986	706,215,986

11.2 Share premium

	2024 £'000	2023 £'000
Beginning of year	17,630	17,630
End of year	17,630	17,630

Notes to the parent company financial statements (continued)

11 Share capital and reserves (continued)

11.3 Capital redemption reserve

At the Company's Annual General Meeting on 27 March 2015, the Company was authorised to enter into a contract for the off-market purchase of all of the Deferred Shares of £0.009 each in its capital for cancellation. A single new Ordinary Share of £0.01 was issued by the Company on that date to finance the off-market purchase. In accordance with Section 733 of the Companies Act 2006, this cancellation of shares created a capital redemption reserve. Article 3 of the Companies (Reduction of Share Capital) Order 2008 (SI 2008/1915) allows such reduction to be treated as a realised profit and it therefore may be used to distribute to shareholders or used to buy back shares.

11.4 Merger reserve

The merger reserve represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue, in connection with acquisitions.

11.5 Other reserve

The Other reserve relates to share-based employee remuneration to be settled in equity. Further detail is provided in note 7 of the consolidated financial statements.

12. Related party transactions

There were related party transactions during the year. Further detail is provided in note 25 of the consolidated financial statements.

13. Contingent liabilities

There are no contingent liabilities at 30 September 2024 (2023: nil).

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. Further detail is provided in note 28 of the consolidated financial statements.

Directors, Secretary and advisers

Directors

Simon Duckworth OBE DL
Non-Executive Chairman

Darron Giddens
Chief Financial Officer

Company Secretary

Darron Giddens

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