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16 March 2023

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

### Final Results

*A transformational year and primed to scale*

CloudCoCo (AIM: CLCO), a leading UK provider of Managed IT services and communications solutions to private and public sector organisations, is pleased to announce its full year results for the year ended 30 September 2022 ("FY 2022").

#### Financial highlights:

- Revenue increased by 198% to £24.2 million (2021: £8.1 million), of which 67% was generated from recurring contracts (2021: 62%)
- Gross profit increased by 147% to £7.9 million (2021: £3.2 million), a margin of 33% (2021: 40%)
- Trading Group EBITDA<sup>1</sup> increased by 129% to £1.6 million (2021: £0.7 million)
- Adjusted Trading Group EBITDA<sup>2</sup> of £1.1 million (2021: £0.7 million) after the impact of £0.5 million of data centre contracts in the acquired Connect business as IFRS 16 right of use assets
- Pre-tax loss of £2.6 million (2021: loss of £2.0 million) after combined amortisation and depreciation costs of £2.0 million (2021: 1.1 million)
- Cash at bank of £1.5 million at 30 September 2022 (2021: £1.2 million)
- Net assets of £3.0 million at 30 September 2022 (2021: £5.2 million)

#### Operational highlights:

- Record submitted sales performance for the Group, delivering a Total Contract Value<sup>3</sup> of £15.7 million (2021: £5.2 million)
- 39 new customers added in the year (2021: 34)
- New multi-year customer wins including Wall Street Docs, Healthcare Quality Improvement Partnership, St. John Ambulance and Abbott Laboratories
- Successful integration of the four acquired businesses
- Key senior appointments across the Group including Head of People and, post-period, Group Commercial Director and Vendor Alliance Manager.
- MoreComputers rebranded to MoreCoCo and consumer and B2B ecommerce website launched
- CloudCoCo Sales Academy launched to cultivate homegrown talent and support revenue growth
- Launch of Project IGNITE, a programme to accelerate pipeline build and organic growth

<sup>1</sup> profit or loss before net finance costs, tax, depreciation, amortisation, plc costs, exceptional costs and share-based payments

<sup>2</sup> Trading Group EBITDA<sup>1</sup> adjusted following deduction of the IFRS 16 data centre depreciation charge

<sup>3</sup> TCV measures the total revenue that we expect to generate from new customer contracts signed in the year over their contractual term.

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

*"Our central focus during the year centred around the swift and effective integration of the four acquisitions made in the second half of 2021, while also making sure the group was advancing as a single, unified unit.*

*Through this process, we have taken important steps to rationalise our cost base and uncovered the significant potential we saw in these acquisitions. I am delighted to see the results of the hard work of all our teams in achieving this transformation and would like to thank all our colleagues for their vital support during the period.*

*Now a stronger and leaner outfit, we remain excited by the trajectory ahead for the business. Our market opportunity remains vast, underpinned by the significant capabilities and synergies unlocked through acquisition and integration and our investments into our sales functions. On this basis, we remain focused on driving our organic growth alongside identifying and executing on strategic M&A opportunities to accelerate our growth and deliver shareholder value."*

The Company's Annual Report will be available on the Company's website by 17 March 2023 and will be posted to shareholders along with notice of the Annual General Meeting to be held on 6 April 2023.

#### Contacts:

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**About CloudCoCo**

Supported by a team of industry experts and harnessing a diverse ecosystem of partnerships with blue-chip technology vendors, CloudCoCo makes it easy for private and public sector organisations to work smarter, faster and more securely by providing a single point of purchase for their Connectivity, Multi-Cloud, Collaboration, Cyber Security, IT Hardware, Licencing, Support and Professional Services.

CloudCoCo has headquarters in Leeds and regional offices in Warrington, Sheffield and Bournemouth.  
[www.cloudcoco.co.uk](http://www.cloudcoco.co.uk)

**Chairman's statement**

I am pleased to report our annual results for the year ended 30 September 2022.

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

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

An additional priority was the accelerated 'Get Well' programme for the Group's newly acquired businesses, with a particular emphasis on managing costs, driving efficiencies and realising the synergy benefits across these businesses. We undertook this strategy with a view to supporting long-term, sustainable and profitable growth across the business.

I am therefore delighted to report an increase in Trading Group EBITDA<sup>1</sup> to £1.6 million (2021: £0.7 million).

**People**

Through the major steps taken to grow the business in the last two years, CloudCoCo now comprises over 125 talented people. I am delighted that all parts of the business worked collaboratively through the necessary initiatives to operate as a single, cohesive business and I would like to thank all colleagues for their efforts.

One of the significant milestones during the year was the acquisition of CloudCoCo Connect Limited ("the Connect business"), acquired as IDE Group Connect Limited in October 2021 and the subsequent and successful execution of the internal project known as "Project 150", a strategy designed to generate £150k per month of additional benefit from sales and cost savings for the enlarged business. This was a collaborative effort from everyone involved where all ideas were welcome and I'm delighted with the outcome.

In view of the significantly expanded team and proposition as a result of our acquisitions, the Group also made key appointments to oversee the continued expansion of the business.

Post-period end, in October 2022, we promoted internally to create a new role of Group Commercial Director (a non-board position) to consolidate our vendor and partnership relationships and ensure we obtain best price and consistent delivery of service from our third-party suppliers. This has progressed well with the additional hire of a Vendor Alliance Manager to concentrate on solidifying our strategic relationships with key providers within our ecosystem.

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

With a view to cultivating homegrown talent and to contribute to the acceleration of our organic revenue growth, in July 2022 we launched our CloudCoCo sales academy. Initially comprising five entry-level sales staff, the academy has proven a great success and I look forward to seeing the expansion of this project to incorporate new colleagues in FY 2023.

**Ambitions for the financial year**

Through organic growth and acquisition, CloudCoCo has fortified its position within the Managed Services and Value Added Reseller space.

With the necessary corrective actions taken to ensure positive Trading Group EBITDA<sup>1</sup> across the business during FY 2022, the Group is now positioned as a larger and significantly more efficient platform from which it can scale and capture the considerable market opportunity available to it.

While our teams are focused on driving new business development in the new year, we will continue to appraise further acquisition opportunities, only progressing those that have exceptional potential and are a good strategic fit.

Simon Duckworth

**Chairman**

15 March 2023

<sup>1</sup> earnings before net finance costs, tax, depreciation, amortisation, plc costs, exceptional costs and share-based payments

**Chief Executive's Review****Introduction**

I am pleased to have overseen another year of significant strategic and commercial progress for CloudCoCo.

The acquisition of four businesses over the last 18 months has brought about a step-change in the Group's capabilities. The addition of data centre locations, private managed core dark fibre network services and e-commerce capabilities, for example, have opened up a wealth of new revenue opportunities.

While we recognised the massive potential across each of these businesses, we knew it would take a tremendous amount of hard work and dedication through intensive integration and optimisation phases before we began to see the commercial benefits filter through. Those initial phases are now complete and, with all parts of the Group now operating profitably at the Trading Group EBITDA<sup>1</sup> level, I am proud of what our teams have been able to achieve in such a short space of time.

With the steps taken to stabilise the acquired businesses, in the second half of the year, we launched a comprehensive programme to grow our sales pipeline. Referred to internally as Project IGNITE, this was a multi-channel marketing project focused on lead generation, comprising the implementation of additional sales systems and the introduction of new talent in our new business, mobile, alliances, sales academy, retention, and ecommerce teams.

The new systems implemented in the second half have enabled us to identify sales opportunities more intelligently and efficiently. This, combined with the positive impact of our recently established sales academy, saw our pipeline gain some further momentum post-period.

As we move through the new financial year, CloudCoCo now operates as a single, cohesive unit. We have built a platform ripe for scaling and, with our colleagues, old and new, all pulling in the same direction.

### **Our strategy**

Having spent the last few years building a strong, scalable platform, we can now plot a path towards our long-term goal of becoming one of the larger UK Managed Services businesses with revenues of over £100m. This will be achieved through a combination of carefully selected acquisitions in our chosen markets, a single-minded focus on attracting and delighting new customers, and increased spend from existing customers.

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

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

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

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

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

### **Integration of our acquisitions**

This year saw the full impact of the value-added reseller ("VAR") acquisitions of Systems Assurance and More Computers, having been acquired on 6 September 2021. The acquisitions signalled the start of the Company's "Get Bigger" phase to provide scale to the business. This followed the successful completion of the "Get Well" and "Get Fit" phases leading up to that point. More Computers introduced a proven and scalable hardware engine into CloudCoCo's business which helped increase operational efficiency and drive margins which assisted the Group in driving VAR revenues by 190% during the year.

As reported at the interim results, we were delighted to see the IDE Connect business acquired in October 2021 reach monthly EBITDA breakeven (before exceptional costs) in March 2022, ahead of our initial timeline, as a result of the corrective actions taken in the first half of the financial year ("H1"). The first phase of the "Get Well" actions are largely complete, with some supplier rationalisation and contract negotiations still to complete.

This was achieved through the execution of "Project 150", referring to the c. £150k of additional benefit from sales initiatives and monthly savings we sought to achieve to deliver a swift turnaround of the Connect business from delivering £800k of losses per annum. This was achieved through the implementation of careful cost-savings and an improvement of the business's sales function, which is now able to provide a wider portfolio and greater support to customers.

As part of the Connect acquisition, we inherited 83,000 IPv4 addresses which are in short-supply globally and present the Group with an opportunity to add value. We are currently carrying out a comprehensive audit to inform a decision to either dispose of excess addresses or manage the assets on behalf of clients. Sales of IP addresses generated £0.1 million of revenue in the year.

The acquisition of Connect added a core fibre network and 32 data centre locations to the Group. The relatively low acquisition price paid for Connect in part reflected the fact that an element of this core fibre network was discontinued prior to acquisition but remained in long-term contract with the underlying dark-fibre supplier. This onerous contract liability has been recorded in the acquired Balance Sheet of Connect (see note 15).

Now that the rationalisation of many elements of the core network and data-centre estate obtained through the Connect acquisition has been achieved, we intend to bring those assets to the fore of our offering. The high speed and secure connectivity they provide to data centres in the UK is impressive and enables us to pursue larger, multi-site customers with conviction.

To modernise our web-offering and improve the customer buying experience, we successfully completed the rebrand of our VAR business More Computers, which we acquired in September 2021. Now rebranded as MoreCoCo, the business comprises a consumer-facing website, with a comprehensive range of consumer and personal electronics, as well as a dedicated alternative website for businesses, both launched in the second half of the year. We are already seeing how incorporating the automated ecommerce engine is benefitting the existing CloudCoCo customer base with an improved choice of goods and streamlined buying experience.

I am pleased to report all acquisitions are now operating profitably and on track to fulfil their potential. With the

integration process of the four acquisitions made since September 2021 now complete, we move forward with a proven blueprint for expanding the Group through adding complementary businesses.

#### Progress against FY 2022 objectives

##### Accelerate sales

The business achieved revenues of £24.2 million in the 12 months to 30 September 2022 compared with £8.1 million in the prior year.

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Managed IT Services	<b>17,056</b>	5,648
Value added resale	<b>7,137</b>	2,459
<b>Total Revenue</b>	<b>24,193</b>	8,107

The results were impacted positively by the acquisitions made in late 2021 as follows:

	<b>2022</b>	2021
	<b>£'000</b>	£'000
CloudCoCo Limited	<b>6,928</b>	8,107
Systems Assurance Limited	<b>3,695</b>	-
More Computers Limited	<b>1,963</b>	-
CloudCoCo Connect Limited (formerly IDE Group Connect Limited) and its subsidiary	<b>11,607</b>	-
<b>Total Revenue</b>	<b>24,193</b>	8,107

Total Contract Value, the measure used to reflect the total revenue that we can expect to generate from new customer contracts signed in the year over their contractual term, increased to £15.7 million (2021: £5.2 million).

Managed IT services represented 70% of revenues (2021: 70%) of which 95% related to recurring contracted services, a key focus for the Group. We continue to see demand for the Group's services, including customers investing in solutions to protect their sensitive data and improve their cyber security provisions.

Whilst the most recent industry trend is to help business customers to make the most of their existing digital investments by "doing more with less", we were also able to increase value added resale revenues during the year by 184% from £2.5m in FY 2021 to £7.1m in FY 2022 as a result of the larger customer base and broader service offering as a result of the acquisitions made in late 2021, which accounted for the majority of the increase in the year.

A continued focus for the Group during the year was to secure new and larger, multi-year contracts. The increased capabilities and scale derived from our newly acquired businesses put us in a strong position to achieve this ambition, and our multi-year agreements with Wall Street Docs, Healthcare Quality Improvement Partnership, St John Ambulance and The ID Register are evidence of delivery. We added 39 new logo customers in the year (2021: 35) and remain focussed on increasing our reach into new sectors through organic growth. Indeed, we have already seen the number of new logo customers won in the first half of FY 2023 surpass those won in the first half of FY 2022 by 33%.

In addition to increasing new sales opportunities, we were able to extend the number of the existing recurring customers into new term-based contracts during the year. A large percentage of the existing customer base have recurring contracts that will auto-renew, but often we will sit with the customer, redesign their solution, and agree a new roadmap to optimise their managed services solution in a new multi-year term agreement. We signed key renewals during the year with leading UK property consultants Allsop and the American multi-national medical business Abbott Laboratories.

The four acquisitions made in late 2021 and the combined focus on developing our sales engine whilst continuing to look for opportunities to improve our cost-base efficiencies, helped us to deliver Trading Group EBITDA<sup>1</sup> growth during the year of 129% to £1.6 million (2021: £0.7 million). There remain further opportunities for us to consolidate our buying power as we look to rationalise the number of key partners we use for the £16.2 million of third-party cost of sales.

With our expanded capabilities derived through acquisition, we have actively pursued cross-selling across different parts of the Group and are beginning to see early signs of success.

##### Maintain excellent support levels

Despite the introduction of 79 new colleagues and inheriting a dramatically larger service offering, we remain as committed as ever to delivering best-in-class customer service. Culture is vital to the success of any business and it has been heartening to see our new joiners buy into our service-orientated approach so quickly.

Response times to support requests continued to improve in the period, with customer satisfaction levels remaining high. More than 90% of support events during the year were rated "good" or better, and we are exploring ways to use artificial intelligence to increase the speed and quality of delivery for repetitive service requests. Additionally, time to close tickets and call answer times all improved in the year.

##### Drive efficiencies and strengthen financial position

During the year we established a formal commercial procurement team to build on the excellent work carried out so far to ensure the Group continues to rationalise its suppliers and contracts and find cost savings where possible.

We have made significant progress in this respect, but there is further work required. We aim to have completed a full line-by-line analysis by the end of H1 FY 2023 which will form the basis for any further action.

To further strengthen our position, as previously announced we are currently working towards addressing the onerous contracts we acquired from the IDE acquisition (see note 11) by swapping disconnected circuits out for new connections

into our core fibre network. Good progress has been made to date and we are optimistic about achieving a satisfactory outcome. Data centre locations that have excess capacity are also being marketed to increase utilisation.

We have also reviewed and consolidated colleague roles where possible, identified synergies, and maintained our disciplined approach to reducing cost of sales and overheads without compromising quality of service.

We continue to prioritise improving our financial strength and liquidity and are exploring ways to bolster our position. This includes improving speed of invoicing by offering discounts to customers with multi-year contracts for paying in advance and enhancing our due diligence in the credit control process.

#### **The market**

As organisations both large and small experience an impact on their bottom line due to the inflationary environment, many businesses across our four areas of focus are now looking for good-value, customer-oriented partners to help them manage their IT solutions and spend.

This is prompting an evolution in the market, with many of these organisations now looking to move away from the larger and typically less agile Managed Services Providers. We are seeing particular traction in Microsoft related skills such as SharePoint and Azure Migrations, as well as the refresh of IT hardware.

Additionally, an increase in remote working has seen demand for laptops, monitors and remote telephony solutions grow as companies ensure that remote staff are provided with modern, company-owned hardware that can be securely managed and protected centrally. As an agile, customer-driven Managed Services Provider and VAR, CloudCoCo is well-positioned to capitalise on these trends.

#### **Current trading and outlook**

In FY 2023, with all four acquisitions<sup>2</sup> now integrated and increasingly solid foundations on which to build, we will again look to drive organic growth. At the same time, we will look to scale through selective acquisitions where they are a good strategic fit, particularly those that can enhance the network and cloud technology infrastructure acquired through the Connect business, which we see as forming an important part of our future.

The Group, as expected, has experienced some impact from increased costs relating to power and energy, particularly in relation to its data centre sites, which have resulted in price increases to our customers. We continue to monitor the situation carefully and are working closely with customers to ensure that they understand their energy consumption and are making recommendations to improve efficiency where possible.

Our sales pipeline is increasing at a healthy rate, particularly with larger and multi-year deals. There has been an uptick in this since the end of FY 2022, together with the signing of multiple longer-term new logo contracts which is testament to the strategy and investments made.

Despite the economic challenges, we are confident in our ability to deliver improved revenues and profitability in FY23.

Mark Halpin  
*Chief Executive Officer*

15 March 2023

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

<sup>2</sup> acquisitions of Systems Assurance Limited and More Computers Limited in September 2021 and IDE Group Connect Limited and Nimoveri Limited in October 2021.

#### **Financial review**

##### **Acquisition of IDE Group Connect Limited and Nimoveri Limited**

On 19 October 2021, the Company acquired IDE Group Connect Limited ("Connect") and Nimoveri Limited ("Nimoveri") (together, the "Acquisitions") from IDE Group Holdings PLC ("IDE") for a deferred consideration of £250,000.

The Acquisitions provided the Group with circa 660 additional clients and a significant opportunity to upsell and cross sell services across the Group. The Acquisitions were acquired from IDE for a consideration of £250,000, funded via a loan note from IDE for £250,000 to be repaid over five years with an annual interest rate of Bank of England base rate +3% with no payments due in the first six months. The net liabilities acquired under the transaction included a cash balance of £497,000.

IDE agreed to provide the Group with a working capital facility of up to £500,000 on request for the first twelve months of acquisition, should it have been required to help fund the initial restructure of the Connect business. No amounts were drawn under this facility.

##### **Revenue and gross margin**

Group revenue for the year to 30 September 2022 grew by 198% to £24.2 million (FY21 £8.1million) assisted by the acquisitions at the end of 2021, which perfectly complimented the existing service portfolio as well as adding new revenue streams which enhanced our proposition during the year.

These revenues produced a total gross profit of £7.9 million (FY21: £3.2 million) representing a gross margin of 32.8% (FY21: 39.6%) reflecting the fact that a large percentage of our revenues are derived from third-party vendors to allow the Group to remain asset-light.

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

##### **Managed IT Services**

Managed IT Services, which comprises recurring services and ongoing IT support often utilising the data

centre locations, core network or technical skills at our disposal, continues to dominate the profile of our revenues, representing 70% (2021: 70%) of group revenues during the year, adding significant value to our customers providing specialist IT skills on-demand, so that they can focus on their core business activities. This grew to £17.1 million in FY 2022, from £5.6 million in FY 2021, underpinning the need for best of breed IT Managed services from UK business customers.

In line with our objective to grow the recurring contracted revenue base, it was pleasing to note that 95% (2021: 90%) of all Managed IT Services revenues were provided under recurring contracts. On average, new customer contracts sold are for an initial period of just under 2 years, although recurring contracts allows customers to auto-renew on similar terms at each anniversary.

The key to providing a one-stop solution for our customers is being able to deliver technical skills, project management and the hardware they require to undertake numerous IT projects that transform the way that they do business. During FY 2022, we saw professional services revenues which utilise our technical skills increase by 49% over FY 2021 to £0.9 million, as customers took the opportunity, post-COVID-19, to invest in core technologies to allow them to optimise efficiencies in new hybrid working era.

### Value added resale

VAR is the resale of one-time solutions (hardware and software) from our leading technology partners, including revenues from the More Computers e-commerce platform.

Revenues from VAR were £4.6 million higher in FY22 than the prior year at £7.1 million (FY21: £2.5 million), due to the acquisitions of Systems Assurance and More Computers in September 2021, who specialise in sourcing a diverse range of hardware from major vendors at cost-effective price.

VAR generated a gross profit of £1.4 million (FY21: £0.6 million) and gross margin of 20% (FY21: 25%), although the majority of VAR orders were delivered direct to site by our chosen hardware partners using our unique ERP links and therefore carrying a much lower overall cost to fulfil orders.

### Operating costs and performance

Excluding plc costs of £0.8 million (FY21: £0.5 million), our trading overheads<sup>2</sup> increased to £6.4 million (FY21: 2.5 million) following the acquisitions completed in late 2021. Driving efficiencies in our overheads was a key priority during the year as the Connect business we acquired from IDE Group in October 2021 had been trading at an annual reported loss of £0.8 million per annum, prior to joining our Group.

As an employee led business, 93% of our operational trading overheads relate to staff costs. Ensuring that we have the right mix of talent and skills available to support our customers is key, without leaving talent on the bench. We continue to look for ways to maximise value from our overheads through strategic partnerships and automation.

Whilst revenue, gross profit and cash balances remain the primary measures, one of our main financial key performance indicators is our Trading Group EBITDA<sup>1</sup> - our operational trading performance before plc costs, depreciation and amortisation, share based payments and exceptional items. This is a key industry measure, reflecting the underlying trading profits before the costs of assets and liabilities. Our Trading Group EBITDA<sup>1</sup> increased by £0.9 million to £1.6 million in the year (2021: £0.7 million, 2020: £0.3 million).

The acquisition of Connect added 32 data centre locations to the Group. A number of these data centre contracts meet the IFRS 16 definition of right of use assets (see note 10). Thus, rather than recognising an operating expense in respect of the cost of these data centres, they are instead recognised as assets, with an associated lease liability, impacting profit or loss as depreciation and interest expenses and are therefore not recognised in Trading Group EBITDA. To provide transparency in respect of these costs, we have introduced a second non-statutory measure, being Adjusted Trading Group EBITDA. This gives the Trading Group EBITDA after deduction of the IFRS 16 data centre depreciation charge, and best equates to the cash profitability of the Group before plc costs, exceptional items and net finance expenses. Adjusted Trading Group EBITDA for the year was £1.1 million (2021: £0.7 million) as follows:

	2022 £'000	2021 £'000
Trading Group EBITDA <sup>1</sup>	1,594	745
Depreciation of IFRS 16 data centre right of use assets	(530)	-
Adjusted Trading Group EBITDA	1,064	745

### Plc costs

Plc costs in the year increased by £0.3 million to £0.8 million (FY21: £0.5 million). These are non-trading costs, relating to the Board of Directors of the parent company, the costs of being listed on the AIM Market of the London Stock Exchange and its associated professional advisors. Whilst this year includes a full-year of cost for the Executive Directors, we have also seen increases in costs relating to insurances, audit and advisory fees.

The whole industry has seen an upward trend in insurance premiums and policy costs over the past few years due to a greater number of claims against directors together with the expansion of regulations governing corporate behaviour. The backdrop of general rising insurance costs in the country has also been impacted by

the uncertainty and volatility of the insurance market following COVID-19 and an increase in cyber-security incidents across the globe, further driving up costs. The Company takes proactive steps to minimise its exposure to risk, such as implementing strong governance practices and having robust risk management processes in place. Insurance costs increased by £70,000 during the year.

In addition, the costs relating to audit increased during the year following the enhanced scope as a result of the sizeable acquisitions made and the fact that the trade of the business is spread over a number of separate entities. The cost of financial audits in the United Kingdom has increased in recent years due to a number of factors, including the increasing complexity of financial reporting and regulatory requirements, which has increased the overall scope and workload for auditors. Audit costs increased by £40,000 during the year.

### **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 £0.6 million (2021: £0.5 million), of which £0.5 million (2021: £0.3 million) relates to the acquisitions made in 2021 and their associated restructure costs as we right-sized the business during the year. Further details of the exceptional items are shown in note 4.

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

During the year the Group incurred net finance costs of £0.7 million (FY21: £0.5 million). £0.6 million (2021: £0.5 million) of this was accrued interest on loan notes payable at the end of the loan notes' term in October 2024. The remaining £0.1 million (2021: nil) in this financial year relates to interest resulting from lease liabilities.

The Group incurred other costs including total amortisation and depreciation charges of £2.0 million (FY21: £1.1 million) and share-based payments charge of £119,000 (FY21: £217,000). Depreciation includes £0.5 million relating to IFRS16 data centre right of use assets and £0.2 million relating to tangible assets. After accounting for a deferred tax credit of £0.3 million (FY21: £0.1 million charge) arising as part of business, the reported loss for the year after tax was £2.3 million compared to a loss after tax for the year to 30 September 2021 of £2.1 million.

### **Statement of Financial Position and cash**

The Group had positive net assets at 30 September 2022 totalling £3.0 million (FY21: £5.2 million) and the cash position improved by £0.3 million to £1.5 million (FY21: £1.2 million). The four now cash generative businesses acquired in 2021, provide the business with a solid platform for growth.

The Group had a net cash inflow during the year of £0.3 million (FY21: £0.6 million), the main components being:

- Cash inflow generated from operating activities excluding the costs of acquisition of £1.0 million (FY21: cash outflow of £0.3 million);
- Net cash inflow of £0.5 million (net of cash acquired) to acquire the Connect business;
- Payments of deferred consideration for the acquisition of Systems Assurance Limited of £155,000 and for the Connect business of £25,000 during the period; and
- Payments of lease liabilities of £0.8 million (FY21: £0.1 million)

Current assets increased by £2.8 million to £7.0 million as a result of the acquisitions, although 76% of these relate to Trade and other receivables. 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. £0.8 million of the increase during the year relates to prepayments as vendor contracts require us to pay for data centre rentals and leased line in advance. This practice is also mirrored in our end-user customer contracts, reflected in the increase in contract liabilities below.

Contract liabilities increased by £1.2 million to £2.5 million (FY21: £1.3 million) reflecting the acquisition of multi-year recurring customers contracts with the Connect business, coupled with the continued success that the Group had during the year, signing customers onto new longer term recurring revenue contracts, billed in advance.

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

Overall Net debt increased by £1.0 million to £4.1 million during the year. Net debt comprises cash balances of £1.5 million less the loan notes and rolled up interest of £4.4 million, together with £0.2 million deferred consideration owed for the acquisition of Connect and shown at fair value (see note 15). A further £0.9 million is owed in lease liabilities and COVID-19 bounce back loans. The Trading Group EBITDA of the business exceeded the loan note interest in the year by £1.1 million (FY21: £0.3 million).

Tangible assets at year-end remained stable as £0.2 million (FY21: £0.2 million) and the costs of additional capex in the year of £115k (FY21: £31k), the majority of which were acquired to generate Managed IT services revenues to customers.

The acquisition of the Connect business delivered with it a core fibre network and 32 data centre locations. The majority of data centres are leased from third-party suppliers on renewable contract terms of up to 5 years in duration. Many of these data centre leases can be auto-renewed, resized or terminated in the months leading up to the end of the term, creating a new or modified leases in excess of twelve months, which then fall under IFRS16 as a right of use asset with associated lease. During the year, the Group entered into new or modified IFRS16 right of use leases of £1.1 million (see note 10). These leases, which had less than 12 months remaining on the date of acquisition, were treated as short-term leases up until the point at which they were renewed or modified. The acquisition also contained onerous contracts of £1.2 million over various terms up until November 2032 (see note 11).

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

<sup>2</sup> trading overheads are the group's administrative costs excluding depreciation and amortisation, plc costs, exceptional items and share-based payments

### Consolidated income statement

for the year ended 30 September 2022

	Note	2022 £'000	2021 £'000
<b>Continuing operations</b>			
Revenue	3	24,193	8,107
Cost of sales		(16,246)	(4,891)
<b>Gross profit</b>		<b>7,947</b>	3,216
Other income		-	67
Administrative expenses		(9,784)	(4,794)
<b>Trading Group EBITDA <sup>1</sup></b>		<b>1,594</b>	745
Amortisation of intangible assets		(1,286)	(1,009)
Plc costs <sup>2</sup>		(770)	(492)
Depreciation of IFRS16 data centre right of use assets	10	(530)	-
Depreciation of tangible assets and other right of use assets	10	(164)	(97)
Exceptional items	4	(562)	(441)
Share-based payments		(119)	(217)
<b>Operating loss</b>	5	<b>(1,837)</b>	(1,511)
Interest receivable	6	1	1
Interest payable	6	(772)	(535)
<b>Loss before taxation</b>		<b>(2,608)</b>	(2,045)
Taxation	7	321	(83)
<b>Loss and total comprehensive loss for the year attributable to owners of the parent</b>		<b>(2,287)</b>	(2,128)
<b>Loss per share</b>			
Basic and fully diluted	8	(0.32)p	(0.42)p

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

<sup>2</sup> Plc costs are non-trading costs relating to the Board of Directors of the Parent Company, the costs of being listed on the AIM Market of the London Stock Exchange and its associated professional advisors.

### Consolidated statement of financial position

as at 30 September 2022

30 September 2022	30 September 2021
£'000	£'000



		£'000	£'000
<b>Non-current assets</b>			
Intangible assets	9	12,580	10,393
Property, plant and equipment	10	128	52
Right of Use assets	10	814	97
<b>Total non-current assets</b>		<b>13,522</b>	<b>10,542</b>
<b>Current assets</b>			
Inventories		165	86
Trade and other receivables		4,766	2,721
Contract assets		558	232
Cash and cash equivalents		1,516	1,183
<b>Total current assets</b>		<b>7,005</b>	<b>4,222</b>
<b>Total assets</b>		<b>20,527</b>	<b>14,764</b>
<b>Current liabilities</b>			
Trade and other payables		(6,890)	(2,872)
Contract liabilities		(1,891)	(177)
Provision for onerous contracts	11	(148)	-
Borrowings		(69)	(172)
Lease liability	12	(733)	(86)
<b>Total current liabilities</b>		<b>(9,731)</b>	<b>(3,307)</b>
<b>Non-current liabilities</b>			
Contract liabilities		(601)	(1,092)
Provision for onerous contracts	11	(927)	-
Borrowings		(4,723)	(3,991)
Lease liability	12	(112)	(11)
Deferred tax liability		(1,426)	(1,188)
<b>Total non-current liabilities</b>		<b>(7,789)</b>	<b>(6,282)</b>
<b>Total liabilities</b>		<b>(17,520)</b>	<b>(9,589)</b>
<b>Net assets</b>		<b>3,007</b>	<b>5,175</b>
<b>Equity</b>			
Share capital		7,062	7,062
Share premium account		17,630	17,630
Capital redemption reserve		6,489	6,489
Merger reserve		1,997	1,997
Other reserve		458	339
Retained earnings		(30,629)	(28,342)
<b>Total equity</b>		<b>3,007</b>	<b>5,175</b>

## Consolidated statement of changes in equity

for the year ended 30 September 2022

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 October 2020</b>	<b>4,952</b>	<b>17,630</b>	<b>6,489</b>	<b>1,997</b>	<b>122</b>	<b>(26,214)</b>	<b>4,976</b>
Loss and total comprehensive loss for the period	-	-	-	-	-	(2,128)	(2,128)

### Transactions with owners in their capacity of owners

Issue of 210,990,000 shares at 1p per share via a

issue of 210,990,000 shares at 1p per share via a Placing	2,110	-	-	-	-	-	2,110
Share-based payments	-	-	-	-	217	-	217
<b>Total transactions with owners</b>	<b>2,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>217</b>	<b>-</b>	<b>2,327</b>
<b>Total movements</b>	<b>2,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>217</b>	<b>(2,128)</b>	<b>199</b>
<b>Equity at 30 September 2021</b>	<b>7,062</b>	<b>17,630</b>	<b>6,489</b>	<b>1,997</b>	<b>339</b>	<b>(28,342)</b>	<b>5,175</b>

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 October 2021</b>	<b>7,062</b>	<b>17,630</b>	<b>6,489</b>	<b>1,997</b>	<b>339</b>	<b>(28,342)</b>	<b>5,175</b>
Loss and total comprehensive loss for the period	-	-	-	-	-	(2,287)	(2,287)
<b>Transactions with owners in their capacity of owners</b>							
Share-based payments	-	-	-	-	119	-	119
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>-</b>	<b>119</b>
<b>Total movements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>(2,287)</b>	<b>(2,168)</b>
<b>Equity at 30 September 2022</b>	<b>7,062</b>	<b>17,630</b>	<b>6,489</b>	<b>1,997</b>	<b>458</b>	<b>(30,629)</b>	<b>3,007</b>

**Consolidated statement of cash flows**  
for the year ended 30 September 2022

	2022 £'000	2021 £'000
<b>Cash flows from operating activities</b>		
Loss before taxation	(2,608)	(2,045)
Adjustments for:		
Depreciation - IFRS data centre right of use assets	530	-
Depreciation - owned assets	50	29
Depreciation - right of use assets	114	68
Amortisation	1,286	1,009
Share-based payments	119	217
Net finance expense	771	534
Costs relating to acquisitions <sup>1</sup>	58	202
Movements in provisions	(153)	-
Costs relating to Placing of 210,990,000 shares	-	171
Increase in trade and other receivables	(1,064)	(408)
Increase in inventories	(79)	(24)
Increase / (decrease) in trade payables, accruals and contract liabilities	2,014	(57)
<b>Net cash inflow / (outflow) from operating activities before acquisition costs</b>	<b>1,038</b>	<b>(304)</b>
Costs relating to acquisitions <sup>1</sup>	(58)	(202)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>980</b>	<b>(506)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment (note 10)	(115)	(31)
Acquisitions net of cash acquired <sup>1</sup> (note 15)	497	(563)
Payment of deferred consideration relating to acquisitions (note 15)	(180)	-
Interest received	-	1
<b>Net cash inflow / (outflow) from investing activities</b>	<b>202</b>	<b>(593)</b>
<b>Cash flows from financing activities</b>		
Proceeds from Placing of 210,990,000 shares	-	2,110
Less transaction fees relating to the Placing	-	(171)
Repayment of loan funds from MXCG	-	(100)
Repayment of COVID-19 bounce-back loan	(18)	-
Payment of lease liabilities	(813)	(120)
Interest paid	(18)	(25)
<b>Net cash (outflow) / inflow from financing activities</b>	<b>(849)</b>	<b>1,694</b>
<b>Net increase in cash</b>	<b>333</b>	<b>595</b>
Cash at bank and in hand at beginning of period	1,183	588
<b>Cash at bank and in hand at end of period</b>	<b>1,516</b>	<b>1,183</b>
Comprising:		
Cash at bank and in hand	1,516	1,183

<sup>1</sup> FY22 relates to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) and Nimoveri Limited.  
FY21 relates to the acquisition of Systems Assurance Limited and More Computers Limited.

## Notes to the consolidated financial statements

### 1. General information

CloudCoCo Group plc is a public limited company incorporated in England and Wales under the Companies Act 2006. The principal activity of the Group is the provision of IT Services to small and medium-sized enterprises in the UK. The Board of Directors approved this announcement on 15 March 2023.

Whilst the financial information included in this announcement has been prepared international accounting standards in accordance with UK-adopted International Accounting Standards and applicable law, this announcement does not itself contain sufficient information to comply with all the disclosure requirements of IFRS and does not constitute statutory accounts of the Company for the years ended 30 September 2022 and 2021. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which each of the Group's subsidiaries operates.

The financial information for the period ended 30 September 2021 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The statutory accounts for the year ended 30 September 2022 will be delivered to the Registrar of Companies as soon as practicable following approval. The auditors have reported on those accounts; their reports were unqualified and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006. The financial statements are presented in pounds sterling (rounded to the nearest thousand (£'000)) because that is the currency of the primary economic environment in which each of the Group's subsidiaries operates.

#### 1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards. The measurement bases and principal accounting policies of the Group are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

#### Going concern

The Group had positive net assets at 30 September 2022 totalling £3.0 million compared to £5.2 million at the end of FY21. The acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) ("Connect") contributed cash to the Group and the net cash inflow from operating activities exceeded lease payments.

The Group's progress towards its key objectives of increasing sales, reducing customer churn, reducing costs, and returning to net cash generation is described in the Strategic Report. Despite continued uncertainty and disruption as a result of the cost of living crisis and the initial losses incurred when acquiring the originally distressed Connect business, the Group reported a 129% percent improvement in underlying profitability as measured by Trading Group EBITDA1 (2022: £1.6 million; 2021: £0.7 million). Cash inflow from operating activities before acquisition costs was £1.0 million (FY21: £0.3 million cash outflow) and cash balances increased by £0.3m overall.

The risks associated with the Group's activities are reviewed by the Directors on a regular basis. The key operational risk the Group faces is the general economic outlook including the energy costs crisis and uncertainty caused by the cost of living crisis. Although COVID-19 did not have a material impact on the Group's ability to operate in FY22, it did result in some delays in sales cycles for certain services and delays in project delivery as customers continued to assess the impact of COVID-19 on their own businesses. In addition, there is financial, operational and executional risk associated with the business combinations completed in late 2021.

The Directors have reviewed the forecast sales growth, budgets and cash projections for the period to September 2024, including sensitivity analysis on the key assumptions such as the potential impact of reduced sales or slower cash receipts, for the next twelve months and the Directors have reasonable expectations that the Group and the Company have adequate resources to continue operations for the period of at least one year from the date of approval of these financial statements. The Directors have not identified any material uncertainties that may cast doubt over the ability of the Group and Company to continue as a going concern and the Directors continue to adopt the going concern basis in preparing these financial statements.

#### 1.2 New standards and interpretations of existing standards that have been adopted by the Group for the first time

New standards or amendments to existing standards and interpretations that became effective for the annual period commencing on 1 October 2021 were interest rate reforms - amendments to IFRS 9.

None of the new standards or interpretations of existing standards above had a material impact on the Group during the year ended 30 September 2022.

#### 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 2023 financial statements are as follows:

- Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37
- Reference to the Conceptual Framework - Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16
- Annual improvements to IFRS Standards 2018-2020.

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

### 2. Principal accounting policies

#### a) Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 30 September each year. Control is achieved where the Company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with using the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition

date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the Consolidated Statement of Financial Position at their fair values, which are also used as the cost bases for subsequent measurement in accordance with the Group accounting policies.

Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition costs over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

**b) Goodwill**

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses.

**c) Revenue and revenue recognition**

Revenue arises from the sale of goods and the rendering of services as they are performed and the performance obligations fulfilled. It is measured by reference to the fair value of consideration received or receivable, excluding valued added tax, rebates, trade discounts and other sales-related taxes.

The Group enters into sales transactions involving a range of the Group's products and services; for example, for the delivery of hardware, software, support services, managed services, data centre locations, network connectivity and professional services. At the inception of each contract the Group assesses the goods or services that have been promised to the customer. Goods or services can be classified as either i) distinct or ii) substantially the same, having the same pattern of transfer to the customer as part of a series. Using this analysis, the Company identifies the separately identifiable performance obligations over the term of the contract. A contract liability is recognised when billing occurs ahead of revenue recognition. A contract asset is recognised when the revenue recognition criteria were met but in accordance with the underlying contract the sales invoice had not been issued.

Goods and services are classified as distinct if the customer can benefit from the goods or services on their own or in conjunction with other readily available resources. A series of goods or services, such as Recurring Services, would be an example of a performance obligation that is transferred to the customer evenly over time. The Group applies the revenue recognition criteria set out below to each separately identifiable performance obligation of the sale transaction. The consideration received from multiple-component transactions is allocated to each separately identifiable performance obligation in proportion to its relative fair value.

*Sale of goods (hardware and software)*

Sale of goods is recognised at the point in time when the customer obtains control of the goods. Revenue from the sale of software with no significant service obligation is recognised on delivery at a point in time as this is when the customer takes possession and is able to use the software.

*Rendering of services*

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

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

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

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

**d) Right of use assets**

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

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

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

**e) Leases**

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

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

assets fully written down.

#### **f) Onerous contracts**

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

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

#### **g) Exceptional items and Plc costs**

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

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

Note 4 contains more detail on exceptional items.

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

#### **h) Critical accounting judgements and key sources of estimation uncertainty**

##### *Critical judgements in applying the Group's accounting policies*

The allocation of fair values to the tangible assets and the identification and valuation of intangible assets requires judgement in the selection of appropriate valuation techniques and inputs and affect the goodwill and the assignment of that to each cash generating unit, recognised in respect of the acquisitions (note 15).

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

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

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

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

#### **3. Segment reporting**

The Chief Operating Decision Maker ("CODM") has been identified as the executive directors of the Company and its subsidiaries, who review the Group's internal reporting in order to assess performance and to allocate resources.

The CODM assess profit performance principally through adjusted profit measures consistent with those disclosed in the Annual Report and Accounts. A reconciliation between the non-statutory measure of Trading Group EBITDA<sup>1</sup> and the statutory operating loss is shown in the Income Statement. A reconciliation of Adjusted Trading Group EBITDA is shown in the Financial Review. 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:

<b>Managed IT Services</b>	-	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.
<b>Value added resale</b>	-	This category comprises the resale of one-time solutions (hardware and software) from our leading technology partners, including revenues from the More Computers e-commerce platform.

All revenues are derived from customers within the UK and no customer accounts for more than 10% of external revenues in both financial years. Inter-category transactions are accounted for using an arm's length commercial basis.

#### **3.1 Analysis of continuing results**

All revenues from continuing operations are derived from customers within the UK. In order to simplify our reporting of revenue, we condense our reporting segments into two categories - Managed IT Services and Value Added Resale. This analysis is consistent with that used internally by the CODM and, in the opinion of the Board, reflects the nature of the revenue. Trading EBITDA<sup>1</sup> is reported as a single segment.

##### **3.1.1 Revenue**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Managed IT Services	<b>17,056</b>	5,648
Value added resale	<b>7,137</b>	2,459

Total Revenue	24,193	8,107
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### 3.1.2 Revenue

	2022 £'000	2021 £'000
Recognised over time	16,187	5,066
Recognised at a point in time	8,006	3,041
Total Revenue	24,193	8,107

### 4. Exceptional Items

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

	2022 £'000	2021 £'000
Costs relating to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited)	(58)	-
Dilapidations costs	(46)	-
Run-off costs relating to discontinued data centre services	(138)	-
Costs relating to the acquisition of Systems Assurance Limited and More Computers Limited	-	(202)
Costs relating to the Placing	-	(171)
Integration and restructure costs	(320)	(68)
Exceptional items	(562)	(441)

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 integrating the acquisitions made in late 2021.

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.

### 5. Operating loss

	2022 £'000	2021 £'000
Operating loss is stated after charging:		
Depreciation of owned assets	50	29
Depreciation of right of use assets	644	68
Short life lease expense: IFRS16 data centre short-life leases	1,538	34
Amortisation of intangibles	1,286	1,009
Auditor's remuneration:		
- Audit of parent company	53	27
- Audit of subsidiary companies	106	53

Government grants were received in the year of £nil (2021: £67,000) as part of the Coronavirus Job Retention Scheme ("furlough") and recorded as Other Income in the income statement.

### 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:

	2022 £'000	2021 £'000
Interest income resulting from short-term bank deposits	1	1
Finance income	1	1
Interest expense resulting from:		
Lease liabilities	75	12
Interest on borrowings	17	12
Loan note interest	651	505
Interest on Government related COVID19 VAT deferral scheme	-	6
Unwinding of the discount on provisions	29	-
Finance costs	772	535

Loan note interest includes £526,000 (2021: £420,000) which is accrued and is only payable when the loan notes are repaid in October 2024 or earlier if the Group chooses.

### 7. Income tax

	2022 £'000	2021 £'000
<b>Current tax</b>		
UK corporation tax for the period at 19% (2021: 19%)	-	-
<b>Deferred tax</b>		
Deferred tax credit/ (charge) on intangible assets	321	(83)
Total tax credit / (charge) for the year	321	(83)

The relationship between expected tax (credit) / expense based on the standard rate of tax in the UK of 19% (2021: 19%).

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

	2022 £'000	2021 £'000
Loss for the year before tax:	(2,608)	(2,045)
Tax rate	19%	19%
Expected tax credit	(496)	(389)
Adjusted for:		
Non-deductible expenses	57	59
Change in tax rates	-	334
Differences in tax rates	(1)	(60)
Movement in unprovided deferred tax relating to losses	150	135
Short-term timing differences	(31)	4
<b>Total tax (credit) / charge for the year</b>	<b>(321)</b>	<b>83</b>

The Group has unrecognised deferred tax assets in respect of tax losses carried forward totalling £2,824,000 (2021: £2,196,000). 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. During FY21, the substantively enacted tax rate increased from 19% to 25% with effect from 1 April 2023, and is applied in the measurement of deferred tax as reflected in the table above.

8. Loss per share	2022 £'000	2021 £'000
Loss attributable to ordinary shareholders	(2,287)	(2,128)

Weighted average number of Ordinary Shares in issue, basic and diluted	706,215,686	510,759,930
<b>Basic and diluted loss per share</b>	<b>(0.32)p</b>	<b>(0.42)p</b>

The weighted average number of ordinary shares for the purpose of calculating the basic and diluted measures is the same.

#### 9. Intangible assets

Intangible assets are non-physical assets which have been obtained as part of an acquisition or research and development activities, such as innovations, introduction and improvement of products and procedures to improve existing or new products. All intangible assets have an identifiable future economic benefit to the Group at the point the costs are incurred. The amortisation expense is recorded in administrative expenses in the Consolidated Income Statement

Intangible assets	Goodwill £'000	IT, billing and website systems £'000	Brand £'000	Customer lists £'000	Total £'000
<b>Cost</b>					
At 1 October 2020	9,835	182	1,657	9,280	20,954
Business combinations	253	179	470	141	1,043
<b>At 30 September 2021</b>	<b>10,088</b>	<b>361</b>	<b>2,127</b>	<b>9,421</b>	<b>21,997</b>
Business combinations (note 15)	1,193	-	256	2,024	3,473
<b>At 30 September 2022</b>	<b>11,281</b>	<b>361</b>	<b>2,383</b>	<b>11,445</b>	<b>25,470</b>
<b>Accumulated amortisation</b>					
At 1 October 2020	-	(158)	(978)	(3,594)	(4,730)
Charge for the year	-	(26)	(54)	(929)	(1,009)
At 1 October 2021	-	(184)	(1,032)	(4,523)	(5,739)
Charge for the year	-	(18)	(123)	(1,145)	(1,286)
<b>At 30 September 2022</b>	<b>-</b>	<b>(202)</b>	<b>(1,155)</b>	<b>(5,668)</b>	<b>(7,025)</b>
<b>Impairment</b>					
At 1 October 2020	(4,447)	-	(225)	(1,193)	(5,865)
Charge in the year	-	-	-	-	-
At 1 October 2021	(4,447)	-	(225)	(1,193)	(5,865)
Charge in the year	-	-	-	-	-
<b>At 30 September 2022</b>	<b>(4,447)</b>	<b>-</b>	<b>(225)</b>	<b>(1,193)</b>	<b>(5,865)</b>

#### Carrying amount

<b>At 30 September 2022</b>	<b>6,834</b>	<b>159</b>	<b>1,003</b>	<b>4,584</b>	<b>12,580</b>
At 30 September 2021	5,641	177	870	3,705	10,393
<b>Average remaining amortisation period</b>		<b>8.8 years</b>	<b>8.2 years</b>	<b>4.0 years</b>	<b>4.5 years</b>

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 2022, there were four CGUs being CloudCoCo Limited, CloudCoCo Connect Limited (formerly IDE Group Connect Limited), Systems Assurance Limited and More Computers Limited.

Each year, management prepares the resulting cash flow projections using a value in use approach to compare the recoverable amount of the CGU to the carrying value of goodwill and allocated assets and liabilities. Any material variance in this calculation results in an impairment charge to the Consolidated Income Statement.

The calculations used to compute cash flows for the CGU level are based on the Group's Board approved budget for the next

twelve months, and business plan, growth rates for the next five years, weighted average cost of capital ("WACC") and other known variables. The calculations are sensitive to movements in both WACC and the revenue growth projections. The impairment calculations were performed using post-tax cash flows at post-tax WACC of 13.25% (FY21: 11.25%) for each CGU. The pre-tax discount rate (weighted average cost of capital) was calculated at 18% per annum (FY21:15%) and the revenue growth rate is 5% per annum (FY21: 5%) for each CGU for 5 years and a terminal growth rate of 2% (FY21: 2%).

10. Property, plant and equipment	Right of Use Assets £'000	IT Equipment £'000	Fixtures, fittings and leasehold improvements £'000	Total £'000
<b>Cost of assets</b>				
At 1 October 2020	336	243	41	620
Additions	-	24	7	31
Disposals	(58)	-	-	(58)
Business combinations	-	-	1	1
<b>At 30 September 2021</b>	<b>278</b>	<b>267</b>	<b>49</b>	<b>594</b>
Additions	680	115	-	795
Modifications	378	-	-	378
Disposals	-	(190)	(20)	(210)
Business combinations (note 15)	303	9	2	314
<b>At 30 September 2022</b>	<b>1,639</b>	<b>201</b>	<b>31</b>	<b>1,871</b>
<b>Depreciation</b>				
At 1 October 2020	164	194	41	399
Charge for the year	68	27	2	97
Disposals	(51)	-	-	(51)
<b>At 30 September 2021</b>	<b>181</b>	<b>221</b>	<b>43</b>	<b>445</b>
Charge for the year	644	42	8	694
Disposals	-	(190)	(20)	(210)
<b>At 30 September 2022</b>	<b>825</b>	<b>73</b>	<b>31</b>	<b>929</b>
<b>Net book value</b>				
At 30 September 2022	<b>814</b>	<b>128</b>	<b>-</b>	<b>942</b>
At 30 September 2021	<b>97</b>	<b>46</b>	<b>6</b>	<b>149</b>

The net book value of right of use assets at 30 September 2022 comprised:

	Land & buildings £'000	Data Centre Assets £'000	Motor Vehicles £'000	Total £'000
<b>At 30 September 2022</b>	<b>55</b>	<b>756</b>	<b>3</b>	<b>814</b>
At 30 September 2021	85	-	12	97

The depreciation charge in respect of right of use assets comprises £530k in respect of data centre assets and £114k in respect of property and other assets. Data centre assets are described in more detail in Note 12.

#### 11. Provision for onerous contracts

	2022 £'000	2021 £'000
Provisions for onerous contracts - short-term element	148	-
Provisions for onerous contracts - long-term element	927	-
<b>Provisions for onerous contracts</b>	<b>1,075</b>	<b>-</b>

As part of the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) 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 is £1.3 million and was reflected in the lower acquisition price paid for the business in October 2021.

	2022 £'000	2021 £'000
Opening balance	-	-
Business combinations (see note 15)	1,199	-
Payments	(153)	-
Unwinding of discount	29	-
<b>Closing balance</b>	<b>1,075</b>	<b>-</b>

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

The recognition of the onerous liability is based on a reliable estimate of the expected costs and benefits of the contract. The liability has been recognised in the opening balance sheet for Connect and has been measured at the present value of the expected future cash outflows, using a discount rate equivalent to the current risk-free rate of government bonds over the term of the onerous contracts. The provision for these contracts at 30 September 2022 were £1.1 million (2021: nil).

#### 12. Lease Liabilities

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

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

2022                      2021



	£'000	£'000
Opening balance	97	183
Additions	711	-
Modifications	378	-
Leases acquired on the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited)	397	-
Leases acquired on the acquisition of Systems Assurance Limited	-	34
Related interest expense	75	8
Repayment of lease liabilities	(813)	(128)
<b>Closing balance</b>	<b>845</b>	<b>97</b>

	2022 £'000	2021 £'000
Current	733	86
Non-current	112	11
	<b>845</b>	<b>97</b>

The total cash outflows from leases (including lower value and short-life leases) in the financial year was £2,351,000 (2021: £154,000) of which £1,538,000 relates to short-life leases (2021: £34,000).

### 13. Financial instrument

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

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

### 14. Net debt - net debt comprises:

	2022 £'000	Cash movements £'000	Other movements £'000	2021 £'000
Loan notes (see note 13)	4,558	-	650	3,908
COVID-19 Bounce-back loans	82	(18)	-	100
Deferred consideration	152	(180)	177	155
Lease liabilities	845	(814)	1,562	97
Cash and cash equivalents	(1,516)	(333)	-	(1,183)
<b>Total</b>	<b>4,121</b>	<b>(1,345)</b>	<b>2,389</b>	<b>3,077</b>

### 15. Acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited)

On 19 October 2021, the Company acquired IDE Group Connect Limited and its subsidiary Nimoveri Limited (together, the "Acquisitions") from IDE Group Holdings PLC ("IDE") for a deferred consideration of £250,000, funded via a loan note from IDE for £250,000 to be repaid over five years with an annual interest rate of Bank of England base rate +3% with no payments due in the first six months. The fair value of the deferred consideration, £143,000, was measured using a rate of 12% reflecting the Company's cost of borrowing based on its loan notes.

The acquisition of Connect and Nimoveri was a related party transaction pursuant to rule 13 of the AIM Rules for Companies, due to MXC Guernsey Limited owning 10.6% of the Company's issued share capital and 34.8% of IDE's issued share capital. The Directors of the Company (save for Jill Collighan who was not deemed independent for this purpose) having consulted with the Company's Nominated Adviser, agreed that the terms of the transaction were fair and reasonable insofar as the Company's shareholders were concerned. The Group assessed the fair value of the acquisition of CloudCoCo Connect Limited as follows:

	Book Cost £'000	Fair Value Adjustment £'000	Fair Value £'000
<b>Non-current assets</b>			
Intangible assets - brand	-	256	256
Intangible assets - customer lists	15	2,009	2,024
Property, plant and equipment	11	-	11
Right of use assets	-	303	303
<b>Total non-current assets</b>	<b>26</b>	<b>2,568</b>	<b>2,594</b>
<b>Current assets</b>			
Trade and other receivables	1,382	(74)	1,308
Cash at bank	497	-	497
<b>Total current assets</b>	<b>1,879</b>	<b>(74)</b>	<b>1,805</b>
<b>Total assets</b>	<b>1,905</b>	<b>2,494</b>	<b>4,399</b>
<b>Current liabilities</b>			

<b>Current liabilities</b>			
Lease liability	(92)	(258)	<b>(350)</b>
Trade and other payables	(1,838)	207	<b>(1,631)</b>
Other taxes and social security costs	(192)	-	<b>(192)</b>
Contract liabilities	(1,063)	-	<b>(1,063)</b>
Provisions for onerous contracts	-	(160)	<b>(160)</b>
Accruals	(382)	-	<b>(382)</b>
	<b>(3,567)</b>	<b>(211)</b>	<b>(3,778)</b>
<b>Non-current liabilities</b>			
Contract liabilities	(15)	-	<b>(15)</b>
Lease liability	(2)	(45)	<b>(47)</b>
Provisions for onerous contracts	-	(1,039)	<b>(1,039)</b>
Deferred tax liability	-	(570)	<b>(570)</b>
<b>Total liabilities</b>	<b>(3,584)</b>	<b>(1,865)</b>	<b>(5,449)</b>
<b>Net Liabilities</b>	<b>(1,679)</b>	<b>629</b>	<b>(1,050)</b>
Consideration in cash			-
Fair value of deferred consideration loan			143
<b>Fair value of cost of acquisition</b>			<b>143</b>
<b>Goodwill</b>			<b>1,193</b>

The goodwill arising on this acquisition was attributable to the management team, technical skills and product knowledge and know-how, which will benefit the Group. Direct acquisition costs amounting to £58,000 were written off to the income statement within exceptional items and included in cash flows from operating activities.

The acquisition of Connect added a core fibre network and 32 data centre locations to the Group. The acquisition contained a number of onerous contracts for redundant dark-fibre circuits that remain under term contracts which expire over numerous accounting periods up until November 2032. The total amount payable over the term in relation to onerous contracts is £1.3 million and was reflected in the lower acquisition price paid for the business in October 2021. This was recorded at fair value in the acquired balance sheet as a provision of £1.2 million.

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 modified in the months leading up to renewal, 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. These new or modified leases are recorded at fair value in the acquired balance sheet at £0.3 million as right of use assets.

Gross trade receivables acquired were £1,653,000 before a loss allowance of £271,000. Further analysis showed an additional loss allowance of £74,000 was required and was recognised on acquisition, giving a net trade receivables balance of £1,308,000.

The Group acquired over 300 business customers as part of the business combination with Connect. Intangible assets in respect of customer lists reflect the contractual recurring nature of the entity's revenue base. The fair value of the customer lists was estimated by discounting the future cashflows that will be generated from the acquired customer base, including an estimate of customer attrition over time. During the year, the Connect acquisition contributed £11.6 million of revenues. Due to the use of shared overheads it is not possible to accurately calculate the impact that the acquisition had on operating profits during the year.

#### 16. Post Balance Sheet events

There are no post balance sheet events to report.

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