CLOUDCOCO GROUP PLC

Annual Report 2019

CLOUDCOCO
THE FUTURE STARTS NOW

"WE ARE ULTRA-RESPONSIVE, DIFFERENT IN OUR APPROACH AND CREATIVE.

WE ENGAGE QUICKLY AND AIM TO DELIGHT ALWAYS BY BUILDING PASSIONATE WORKING RELATIONSHIPS WITH OUR PROSPECTS, CLIENTS, CONNECTIONS AND COLLABORATIVE PARTNERS.

WE WILL CONTINUE TO GENERATE FANTASTIC RESULTS FOR THE PEOPLE WHO TRULY BELIEVE IN US AND ACT IN A UNIQUE, ENERGETIC, FLEXIBLE AND TRANSPARENT WAY AT ALL TIMES.

THE FUTURE STARTS NOW"

Andy Mills – CEO

Contents

Chairman's statement

The last few months have seen significant change for CloudCoCo Group plc (formerly Adept4 plc) ("Adept4" or the "Company", and together with its subsidiaries the "Group") as we begin our journey of returning the Group to growth, profitability and delivering improved shareholder value.

Following the acquisition of CloudCoCo Limited on 21 October 2019, the Company's name was changed to CloudCoCo Group plc ("CloudCoCo Group") on 29 November 2019. The results contained within this report reflect trading for the year ended 30 September 2019 ("FY19") and as such relate to the period prior to the recent changes within the business. The Company is therefore referred to under its former name of Adept4 in the context of last year's performance.

As the challenges of FY19 have been well-documented in previous shareholder reports and detailed commentary is provided elsewhere, I have instead focused on the steps taken by the Board to move the Group forward in a positive way.

Overview and strategy
As previously reported, the Group has been challenged in the recent past by the general level of economic uncertainty in the market coupled with the investments made in a new sales team during the previous financial years not delivering the results the Board had expected. Continued delays in new sales in FY19 led to the Group experiencing monthly Trading Group EBITDA[1] and cash losses. As a result, and in order to protect the cash reserves of the Group whilst the Board considered the strategic options available to the Company, the decision was taken to focus on the Group's existing customer base with less emphasis on new business acquisition. Whilst this led to reduced revenue and gross profit, it requires a significantly lower operating cost base and therefore a cost reduction programme was implemented which completed in March 2019.

The performance of the Group was further affected by the loss, in April 2019, of a customer contract which had generated £0.7 million of revenue in the year ended 30 September 2018. The combined effect of these changes meant that during the year, the Group returned to modest levels of monthly Trading Group EBITDA profit generation and reduced levels of monthly net cash outflows (after plc costs and debt service costs).

The Company explored several strategic options and the Board concluded that the acquisition of CloudCoCo Limited ("CloudCoCo") (the "Acquisition") represented the best opportunity to return to growth and generate long-term value for all stakeholders.

CloudCoCo was established in September 2017 and started trading in April 2018. It was formed by the former sales directors of Redcentric plc (a UK managed service provider) and offers a variety of cloud computing services, IT hardware, managed IT services, voice and connectivity solutions via its partner ecosystem, aiming to provide its customers with a simplified approach to IT services. Though only recently established, CloudCoCo has a very strong and experienced sales and business development team which had already shown its ability to win new business using its agile sales methodology.

The Acquisition completed on 21 October 2019 and was facilitated by the issue of 218,160,568 ordinary shares of 1 penny each in the share capital of the Company, representing a total value of £7.2 million at completion. At the same time Andy Mills, Chairman of CloudCoCo, joined the board of Adept4 as Chief Executive Officer.

We are pleased with the progress Andy and the senior management teams of both businesses have made so far. Some details of the progress to date are given below and we look forward to updating the market further as the team continue to make progress.

Financing
In 2016, the Company issued unsecured loan notes with a value of £5.0 million to BGF Investments L.P. ("BGF"). These loan notes were repayable between 2021 and 2023 and carried a coupon of 8% per annum, payable quarterly. In addition, BGF held 50 million options in the Company at an exercise price of 6 pence per share.

On completion of the Acquisition, £1.5 million of the loan notes were waived and cancelled by BGF, reducing the Company's liability to £3.5 million. MXC Guernsey Limited, a wholly owned subsidiary of MXC Capital Limited ("MXC"), who currently hold 15.2% of the shares in the Company, purchased the remaining £3.5 million loan notes from BGF and restructured their terms. The loan notes now carry a coupon of 12% per annum which is rolled up, compounded annually and payable only at the end of the term. The term of the loan notes has been extended to October 2024 with no repayment due until that date unless the Company chooses to repay early. At the same time, MXC extended a £0.5 million, 2 year, working capital facility to the Company with interest charged at a rate of 12% per annum on amounts drawn down.

As part of the refinancing package, MXC also cancelled the warrants it held over 5% of the then issued and to be issued share capital of Adept4 and BGF's options were repriced to 0.35 pence. BGF exercised all of its options in October 2019 (and sold the resulting shares issued) and, as MXC no longer holds warrants in the Company, the only obligations over the Company's shares are in respect of outstanding staff share options. As part of the Acquisition, the Board agreed to put in place a management incentive scheme over an amount equal to up to 15% of the Company's post-Acquisition share capital to motivate and retain certain key staff. It is envisaged that this scheme will be implemented during the current financial year.

People
Having the right management team in place is key to the success of our business. The Acquisition brought a strong team which have been able to complement and enhance our existing management team. Andy Mills, former Chairman of CloudCoCo, has joined the Board of Adept4 as Chief Executive Officer, focussing on driving the growth of the enlarged Group. Mark Halpin (founder and former Chief Executive Officer of CloudCoCo) is leading the Group's business development activities.

The Company has recently announced a further key appointment, with Mike Lacey taking on the role of full time Chief Financial Officer ("CFO"), a role previously performed on an interim, part-time basis by Jill Collighan, CFO of MXC. Jill will continue on the Board as a non-executive director.

We previously announced Tom Black's intention to step down from the Board as a non-executive director once a suitable replacement has been found. The search for a replacement for Tom is well underway and he will therefore stand down as a non-executive director at this year's Annual General Meeting. I would like to place on record my thanks to Tom for all of his work over the past 7 years and especially during the recent difficult times.

Given the enormous change which has taken place within Adept4 in the past year, I would, once again, like to take this opportunity to thank our dedicated staff. There have been many examples of our people simply continuing to work very hard to produce great outcomes for our customers despite the significant challenges we have faced, and I would like to assure them of the Board's appreciation.

FY19 results

As explained above, the challenges of the past few years have been well-documented and significant change has already been effected in the Company in the first few months of the current financial year. The Acquisition was completed 3 weeks after the end of FY19, with the new management team therefore only joining after the year end. As stated above, these results therefore reflect the performance of the legacy Adept4 business only and for that reason, to avoid any confusion, the Company is referred to under its former name of Adept4 in the context of last year.

As a result of the Board's decision to focus on existing customers rather than the generation of new sales, together with the loss of the customer announced in April 2019, revenue for FY19 decreased to £7.3 million (2018: £10.2 million) with gross profits of £3.7 million (2018: £5.7 million).

Trading overheads fell by 23% to £4.0 million (2018: £5.1 million), reflecting the cost reduction programme undertaken during the year. The resultant Trading Group EBITDA for the year was a loss of £0.2 million (2018: profit of £0.6 million).

After all costs and income, including, inter alia, restructuring costs and an impairment charge of £3.0 million (2018: £2.6 million) in respect of the Group's intangible assets in its legacy businesses (see Note 10), the operating loss for the year was £5.0 million (2018: loss of £3.4 million) with a retained loss for the year after tax of £5.2 million (2018: loss of £3.8 million).

Post-year end progress

Significant work has been undertaken since the completion of the Acquisition. The rebrand of the Group to CloudCoCo and the change of the Company's name to CloudCoCo Group plc were completed on 29 November 2019 at which point the Group's new website was launched. The staff from both companies are integrating well, leading to a more-settled team. Steady progress has been made with improving customer service which in turn is leading to improved relationships with customers and is opening up new opportunities within the base.

The strong sales pedigree of the CloudCoCo team is already being proven as the number, and value, of sales opportunities grow. The team has already had success securing wins with six new customers, including one of the UK's largest automotive dealers, competing against large traditional IT services companies, leveraging our security solutions and vendor partnerships.

The entire team is focussed on the four key objectives of the business for the new financial year. These are:

1. Increasing sales;
2. Reducing customer churn;
3. Reducing costs whilst ensuring the business can deliver high levels of service; and
4. Returning to net cash generation.

Whilst seemingly simple objectives, it is important that the business returns to basics to ensure the underpinning fundamentals are right in order to drive improved performance. All staff are focused on the delivery of these objectives and the benefits are already being seen. Performance against these objectives will be detailed in subsequent reports on a continuing basis. The Group has achieved management's forecasts for the first quarter of the new financial year and work continues to strengthen its propositions in key growth areas of security and hybrid cloud computing.

Outlook

The past couple of years have clearly been extremely challenging for the business. However, with the acquisition of CloudCoCo we believe we now have the right platform and the right team to re-invigorate the business. There are significant opportunities to improve performance by increasing customer satisfaction through improved customer service, which will enable more sales to the existing customer base as well as driving new customer sales. In addition, by harnessing CloudCoCo's proven and experienced salesforce with our existing operations, we believe that there is a clearly defined opportunity to return the Group to growth whilst benefitting from the headroom the refinancing has provided us. We can now look forward with renewed confidence.

Simon Duckworth

Non-Executive Chairman

14 February 2020

[1]earnings before net finance costs, tax, depreciation, amortisation, plc costs, separately identifiable items and share-based payments (see calculation on page 23)

Business overview

What we do
First and foremost, CloudCoCo Group is a people-led business. With a skilled team of Microsoft, cloud, telephony, hardware, cyber security, support and connectivity experts we unlock business optimisation and transformation, team-working, cost savings, streamlined workflows and innovative solutions to business problems for clients of all sizes.

The Group's knowledge, gained through employees with multiple years of industry experience, helps our customers create a competitive edge, by providing IT solutions that underpin and support our customers' business activities. We have a burning passion to delight people with every aspect of our service and provide the alternative to the archaic managed IT services models. We also champion putting the power back into the hands of customers, offering easy-to-use self-service options and knowledge and skills transfer.

At CloudCoCo Group we seek to be highly responsive and provide customers with modern and innovative solutions to achieve their objectives, achieved through collaborative partnerships with IT solution and service providers, distributors and vendors. Our 24/7 UK response team, together with our strategic consulting and professional services team, provides exactly what businesses need from IT right now and into the future.

The revenue generated by CloudCoCo Group typically comes from three core areas of our business: contracted recurring managed services, professional services and the sale of associated hardware and other products.

As many of the Enterprise-class technologies which underpin our product suite can be provided "as a service", we provide our clients with exactly what is required to support their needs in accordance with business demands, billed on a monthly basis, based on what is consumed.

Our market
The CloudCoCo Group customer base spans all aspects of the UK market and the requirements for each can be quite different. We typically see businesses more inclined to look for a single organisation to provide as many services as possible across IT, telephony and connectivity providing them with a "one stop shop" approach. As we move towards the medium and large enterprise clients, we typically see these look to a more specialist provider for different aspects of the services they require. These customers will generally start with a specific service from CloudCoCo Group which addresses a particular business need and will then engage in additional solution discussions once the initial service is being successfully delivered. With the depth and breadth of our technology offering, together with our specialist teams and our flexible service options, we are ideally placed to grow our existing enterprise accounts whilst continuing to service and support our overall base.

In addition to its private sector customer base, the Group has a number of public sector clients and we have experienced an increase in requests to transact business through recognised government procurement frameworks.

Our technology
As part of our drive to engage quickly and delight our customers, we have continued the development of our technical skills, accreditations, competencies and our engagement with key vendor partners across our key strategic managed service sectors.

We utilise industry leading technology products and services from a number of vendor partners, including Microsoft, Mitel and Fortinet in delivering our managed service offering.

This year we have been awarded the Microsoft "Gold Cloud Platform" competency, which validates our continuously evolving tech intensity in cloud technologies, identity management, systems management, virtualisation, storage and networking. We have also secured "Silver Data Platform" partner status which demonstrates our competencies in collecting and managing diverse data types and versatile database platforms. As a business we have also retained two further Microsoft silver competencies in Application Development and Cloud Solutions.

Telephony services continue to drive strong opportunities for the Group, in both the traditional telecoms market – where we sell, install and support systems from Mitel, a market leading voice technology company – and in new technologies, such as integrated solutions from Microsoft based on their Teams unified communication and collaboration platform. We increasingly see customers looking to introduce Microsoft Teams into their business as the basis for modernised team working. We have added further functionality to our offering, with the introduction of a contact centre product called Anywhere365. This software application, which works directly with Microsoft Teams, provides additional multichannel communication functionality (telephone, text, e-mail, social media and web chat). With the Group's capability across the telephony market, we are ideally placed to continue to sell to and support clients requiring traditional infrastructure and provide a migration strategy for those that want to move to the new collaboration platforms.

CloudCoCo Group continues to see significant interest across its security portfolio, including the innovative Paranoid EPR (Endpoint Protection & Response) solution from US based company Nyotron. This interest has led to introductions into large enterprise organisations and businesses that are currently at varying stages of the sales cycle. The Group continue to have exclusivity within the UK for Paranoid, whilst also making sales in mainland Europe over recent months. The Paranoid solution's approach to post execution damage protection provides CloudCoCo Group with clear differentiators and offers a unique selling point against alternative solutions available.

Business overview (continued)

Additionally, in the cyber security market, we have built on our strong relationship with Fortinet to sell security and threat detection solutions. Given our post year sales success, we are due to become a Fortinet Gold partner and have already executed on some of our healthy growing pipeline in this area.

The need to interrogate data from multiple applications, information stores and bring this all together to provide analytical intelligence, collaboration and real-time reporting is driving new conversations in our customer base, especially with the ability to use tools such as PowerBI and PowerApps, and this is expected to provide the Group with new revenue streams. We have a team of in-house developers and, additionally, we have agreed a partnership with a "nearshore" development provider to supplement our own software development capabilities in a cost efficient and scalable manner to allow us to maximise revenue opportunities.

Summary and outlook

As detailed above, we have made progress against our key objectives during the year, but this was tempered by certain challenges faced by the Group. Going forward, following the acquisition of CloudCoCo Limited and our debt refinancing, we look forward with renewed confidence. The priorities are to maintain our strong relationships with existing customers, and to re-energise new sales generation through a strengthened sales team.

Financial review

Revenue and gross margin
As detailed in the Chairman's statement, following the decision to focus on existing customers rather than new sales generation, Group revenue for the year to 30 September 2019 was below that generated in the previous financial year, at £7.3 million (FY18: £10.2 million). This produced a gross profit of £3.7 million (FY18: £5.7 million) representing a gross margin of 51.4% (FY18: 56.0%). The reduction in margin predominantly relates to the recurring services segment, as explained below.

The analysis of revenue and gross profit from each of our operating segments of recurring services, product sales and professional services is shown in Note 3 and is detailed below.

Recurring services
Revenues from recurring services were £5.2 million (FY18: £7.1 million), generating a gross profit of £2.9 million (FY18: £4.2 million) and a gross margin of 56% (FY18: 60%). We continue to see a reduction in the gross profit from recurring services due to the migration of certain services from our infrastructure to that of a third party (such as Microsoft), in line with our asset-light strategy. Whilst initially resulting in some margin reduction, this strategy reduces risk and cost of ownership for us and allows us to provide customers with best-of-breed solutions with the ability to sell a wider range of services to the customer. Our revenue in this sector was further affected by the cancellation of a contract by a major customer who generated £0.7 million of revenue in FY18, as announced on 8 April 2019. We continue to dispute the validity of the cancellation of this contract and are currently seeking legal redress.

The proportion of our total revenue derived from recurring services continued to be high at 71% (FY18: 70%).

Product sales
Consistent with our strategy of focussing on sales with existing customers, revenues from product sales were lower than those in FY18 at £1.4 million (FY17: £2.0 million) generating a gross profit of £0.3 million (FY18: £0.4 million) and gross margin of 20% (FY18: 22%).

Professional services
Revenues from professional services were £0.7 million (FY18: £1.1 million) generating a gross profit of £0.6 million (FY18: £1.0 million) as permanent employee costs are included in overheads. Following our cost reduction programme, certain projects are now outsourced using third party contractors, resulting in a fall in margin to 79% (FY18: 94%).

Operating performance, costs and EBITDA
Aside from revenue, gross profit and cash balances, one of our main financial key performance indicators is our Trading Group EBITDA – our operational trading performance before plc costs.

Excluding plc costs of £0.4 million (FY18: £0.5 million) and following the successful implementation of our cost reduction programme, our trading overheads during the year fell by 23% to £4.0 million (FY18: £5.1 million), of which staff costs comprised 84% (FY18: 88%). As a result of the cost reduction programme, during the year the Group returned to modest levels of monthly Trading Group EBITDA profit, however, the total Trading Group EBITDA for the year was a loss of £0.2 million as a result of an increase in certain provisions following a year-end review (FY18: £0.6 million profit).

Separately identifiable items
During the year we incurred certain costs which were not directly related to the generation of revenue and trading profits. Given their size and nature, they have been classified as separately identifiable items within the Consolidated Income Statement. These items totalled £3.2 million of which £3.0 million relates to the impairment of goodwill and other intangible assets on previous acquisitions and £0.2 million relates to integration and reorganisation costs.

Net finance expenses
During the year the Group incurred net finance costs of £0.6 million (FY18: £0.6 million). £0.4 million of this was a cash cost in relation to the interest on the BGF loan notes and £0.2 million related to the release to the income statement of the fair value adjustments in respect of these loan notes.

Loss for the period
The Group incurred non-cash costs including total amortisation and depreciation charges of £1.0 million (FY18: £1.0 million) and a share-based payments charge of £0.1 million (2018: £0.1 million). After accounting for a deferred tax credit of £0.4 million (2018: £0.2 million) the reported loss for the year after tax was £5.2 million (FY18: £3.8 million).

Statement of Financial Position and cash
Cash balances at 30 September 2019 were £0.3 million (FY18: £1.4 million) whilst net debt was £4.0 million (FY18: £2.7 million). Net debt comprises cash balances of £0.3 million less the fair value of the BGF loan notes of £4.3 million.

The main components of the Group's cash flows during the year were as follows:

- cash used in operating activities of £0.6 million (after the payment of separately identifiable costs of £0.2 million and plc costs of £0.4 million);
- £0.1 million settlement of Chess dispute paid in October 2018; and
- financing interest payments of £0.4 million.

At 30 September 2019, following the impairment charge in respect of its intangible assets, the Group had negative net assets of £1.1 million (FY18: net assets of £4.0 million).

Post-period end, in October 2019, significant refinancing took place as part of the Acquisition. Further details are given in the Chairman's statement and in Note 23. As a result of this refinancing, together with the Acquisition, the Group has now returned to a positive net asset position.

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 uncertainty surrounding Brexit.

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. 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 on a quarterly basis for additions, changes and mitigation strategies. This review is overseen by the Company Secretary, 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 an internal audit function.

The key financial risks of the Group are detailed in Note 22 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.

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

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.

Commercial risk

We seek 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 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 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.

Risks and risk management (continued)

Legacy liabilities

As part of the acquisition process of any business, the Group ensures significant due diligence is undertaken on the target. This process includes both internal due diligence and due diligence carried out by external experts. There can be no guarantee that the due diligence performed will identify all issues existing within a target company at the point of acquisition. To mitigate this risk, the Board ensures that suitable warranties are given by vendors of the acquired businesses. There can be no guarantee, however, that such warranties will be sufficient to provide full recompense for any losses suffered by the Company as a result of such issues.

Regulatory compliance

The Group provides services, some of which are in regulated markets. 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 operated 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's advisers prior to the completion of an acquisition and appropriate incentive schemes are put in place for certain key personnel.

Brexit

The Group purchases and provides the majority of its goods and services within the UK. However, some vendors reside outside the UK and it is possible that prices may be affected by changes in duties and tariffs arising from any new UK trading agreements.

The Group carefully monitors price risk and will ensure customer quotes enable prices to reflect changes in duties and tariffs.

Board of Directors

Andy Mills
Chief Executive Officer
Andy Mills over the past 25 years has managed and helped to grow numerous technology businesses. Andy co-founded Intrinsic Networks which he sold to a buy and build IT services company and has held a number of senior leadership positions. He has worked successfully in the technology industry as sales director and managing director and was most recently the sales director of Tax Systems plc which was a successful public company until it was taken private in 2019 by a private equity company. Andy was the chairman of CloudCoCo Limited at the time of the acquisition by the Company.

Andy joined the Board as Chief Executive Officer on 21 October 2019.

Mike Lacey
Chief Financial Officer
Mike Lacey is a chartered accountant with over 30 years of experience working in senior finance roles across a variety of sectors. Mike's career started at Ernst & Young followed by roles at AMEC plc, Kwik Save Group plc and the Co-operative Group then as Finance Director of Calyx UK Limited. Between 2013 and 2017 Mike was Finance Director at Character World Limited and has also run his own consultancy business and has worked with clients ranging from SME's to £750m turnover companies on projects such as turnarounds, fundraising and business sales.

Mike joined the Board as full time Chief Financial Officer on 21 January 2020.

Simon Duckworth

Non-Executive Chairman

Simon Duckworth OBE DL is Non-Executive Chairman. Simon holds a number of non-executive positions in the public and private sectors and is currently Chairman of Baring Targeted Return Fund and the Senior Non-Executive Board Member at the Serious Fraud Office (SFO). He was 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 University of Cambridge graduate, Simon is a former Chairman of the City of London Police Authority and currently chairs the Economic Crime Board of the City of London Police. He worked closely with the Home Office as Chairman of the National Olympics Security Oversight Group and is a Non-Executive Director of the Association of Police and Crime Commissioners.

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

Dr Tom Black

Non-Executive Director

Tom Black is co-founder and Chairman of Thruvision plc, an AIM-quoted business focused on the people-screening sector of the global homeland security market. Thruvision was previously named Digital Barriers and changed when it divested its video security business in 2017. Prior to setting up Digital Barriers in 2009, Tom was Chief Executive of Detica Group plc where he led the management buyout in 1997, the Group's flotation on the London Stock Exchange in April 2002 and, ultimately, the acquisition by BAE Systems in 2008. Tom is also a Non-Executive Director of Herald Investment Trust plc and a Trustee of the Black Family Charitable Trust.

Tom is the Chair of the Audit Committee and a member of the Remuneration Committee.

Jill Collighan

Non-Executive Director

A Chartered Certified Accountant, Jill has over 15 years of operational experience at plc board level specialising in finance, human resources, investor relations and corporate finance. As well as her role with Adept4, Jill is CFO of one of the Group's major shareholders, MXC Capital Limited, the AIM-quoted technology-focused adviser and investor. From 2004 to 2014 Jill was Group Finance Director of the AIM-quoted mobile technology provider 2ergo Group plc. Until January 2020, Jill also undertook the role of Chief Financial Officer of Adept4.

Corporate governance report

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"). 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.

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.

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

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 and help our customers achieve their business goals and objectives through the profitable delivery of IT as a Service ("ITaaS") . ITaaS provides customers with exactly the right amount of technology and support that they need, ensuring that they only pay for what they receive.

Strategy:
The company currently delivers ITaaS to business customers by leveraging strong partnerships and a single operating platform established from the integration of several businesses. Our strategy is to:

- Transform the way our customers use and pay for IT
- Leverage our expertise to provide all customers with a corporate IT department experience
- Lead our customers on their journey from on-premise to the cloud
- Partner with the best public cloud and application providers
- Cross-sell IT and telephony services to customers
- 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

<u>Principle 2 – Seek to understand and meet shareholder needs and expectations.</u>

CloudCoCo Group is committed to open communication with all its shareholders. The Chief Executive Officer 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.

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 Chairmen 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. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

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 regards its shareholders, employees, customers, suppliers, advisors and others as the wider stakeholder group.

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 quarterly basis to measure satisfaction and solicit feedback to improve the business.

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.

For further details of the Company's approach to risk and its management, please refer to the Risk Management and Principal Risks 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 size of the board is considered to be appropriate to the current size and character of the Group. The majority of the non-executive directors are independent of management and any business or other relationships which could interfere with the exercise of their independent judgement. Each non-executive director is expected to devote a minimum of one day per month to the Company's business, plus any additional time which may be required to fulfil their duties.

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 Managing Director of the trading business and the Senior Management Team, who meet regularly with the 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 Chief Financial Officer attends the Company's senior management meetings and updates the Board accordingly on any issues and developments.

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 9. 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 consists of two executive directors and three non-executive directors, of whom Simon Duckworth and Tom Black are considered independent. The nature of the Company's business requires the Directors to keep their skillset up to date. Updates to the Board on regulatory matters are given by the Company's professional advisers when appropriate.

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.

Corporate governance report (continued)

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.

In 2017, the Directors took part in an independent Board Effectiveness exercise that gathered feedback and measured the performance and effectiveness of the Board 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 the next evaluation during 2020.

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. Dr Tom Black is currently the longest serving Board member having been appointed in 2013. Tom has indicated his intention to step down from the Board at this year's Annual General Meeting. A suitable replacement for Tom is currently being sought.

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.

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.

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 Executive 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 9.

The Board has established two standing Committees, the Audit Committee and the Remuneration Committee. Membership of both the Audit Committee and the Remuneration Committee during the year under review was exclusively non-executive.

A nominations committee would be established should it be required. Simon Duckworth is Chairman of the Remuneration Committee and Dr Tom Black is Chairman of the Audit Committee. Terms of reference for the Committees are available on the Company's website.

Corporate governance report (continued)

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. Historically, the Board has not disclosed proxy voting numbers to those attending the meetings, but in order to improve transparency, the Board has committed to announcing proxy voting results in future. In the event that a significant portion of voters have voted against a resolution, an explanation of what actions it intends to take to understand the reasons behind the vote will be included.

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

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
No Executive Directors received any salary during the year.

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

	Fees and salaries		Other benefits		Totals	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Non-Executive						
S Duckworth	**36**	36	**—**	—	**36**	36
T Black	**32**	32	**—**	—	**32**	32
Executive			**—**			
J Collighan[1]	**72**	30	**—**	—	**72**	30
N Deman (in office 20 March 2018 to 30 September 2018)	**—**	76	**—**	—	**—**	76
I Winn (resigned 20 March 2018) [2]	**—**	70	**—**	(29)	**—**	41
Total	**140**	244	**—**	(29)	**140**	215

1 Jill Collighan's services are secured under a secondment agreement with MXC Advisory Limited. All fees are paid to MXC Advisory Limited and the agreement contains a notice provision of 3 months.
2 Included in "Other benefits" are the costs of share options issued in accordance with IFRS 2 Share-based Payments as follows:

Name of Director	**2019 £'000**	2018 £'000
I Winn (resigned 20 March 2018)	**-**	(30)

Directors' interests in shares
The interests of the Directors in the Ordinary Shares of the Company at 30 September 2019 together with their interests as of 14 February 2020 were as follows:

Name of Director	14 February 2020 Number	**30 September 2019 Number**
T Black	8,842,199	**8,842,199**
S Duckworth	6,900,000	**5,700,000**

MXC Advisory Limited, who provides the services of Jill Collighan, is a wholly owned subsidiary of MXC Capital Limited, which had a 29.9% holding in the shares of the Company at 30 September 2019. This holding subsequently reduced to 15.2% on 21 October 2019, following the issue of new shares. See Note 23 for further details. MXC Capital Limited held warrants over 5% of the share capital of the Company at 30 September 2019, as detailed in Note 7.

Remuneration report (continued)

Directors' interests in share options
No Directors held options over the Ordinary Shares of the Company or any other share incentives at 30 September 2019. Two directors of the Company's subsidiaries have been granted options over the shares of the Company as follows:

	1 October 2018	Granted in the year	Lapsed during the year	**30 September 2019**	Exercise price	Date when Exercisable	Expiry date
D Griffiths (resigned 20 Nov 19)	3,800,000	—	—	**3,800,000**	1.0p	31 Mar 20	31 Mar 27
D Giddens	83,333	—	(83,333)	—	30.0p	9 Jul 11	9 Jul 19
D Giddens	207,692	—	—	**207,692**	—	24 Mar 18	24 Mar 25
D Giddens	1,135,000	—	—	**1,135,000**	9.0p	28 Sep 19	28 Sep 26

All of the 5,142,692 options in place at 30 September 2019 have been granted under the terms of the Company's approved EMI share option scheme.

By order of the Board

Simon Duckworth
Chairman, Remuneration Committee
14 February 2020

Directors' report

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and Auditor's report, for the year ended 30 September 2019.

Principal activities
The principal activity of the Group is the provision of IT as a Service to small and medium-sized enterprises in the UK. Further information can be found in the Strategic Report on pages 2 to 8.

Corporate governance
The statement on corporate governance on pages 10 to 13 is included in the Directors' Report by way of reference.

Results and dividends
The Group's loss on ordinary activities after taxation was £5.2 million (FY18: loss of £3.8 million). The audited financial statements of the Group are set out on pages 19 to 46. The Directors do not propose a dividend for the year ended 30 September 2019 (FY18: £nil).

Strategic review
The information satisfying the strategic review requirements is set out in this report on pages 2 to 8.

Going concern
The Group had cash balances of £0.3 million at 30 September 2019, and total debt (comprising of asset finance agreements and loan notes at fair value) of £4.3 million, of which only £0.1 million was due within twelve months. However, after the year end, there was a refinancing, the impact of which was to replace the £5.0 million BGF loan notes with £3.5 million of loan notes from MXC Guernsey Limited (a wholly owned subsidiary of MXC Capital Limited). Interest on the MXC loan notes is rolled up and will be paid on redemption in October 2024. In addition, MXC has provided the Group with a £0.5 million working capital facility, on which interest is payable. This facility is repayable by October 2021.

The Group had negative net assets at 30 September 2019 totalling £1.1 million compared to positive net assets at the end of FY18 of £4.0 million. The acquisition of CloudCoCo Limited after the year end and the refinancing referred to above have returned the Group to a positive net assets position due to the issue of share capital of £7.2 million at completion and a reduction in the fair value of loan notes of £1.3 million.

The acquisition of CloudCoCo Limited after the year end and the refinancing above was the outcome of the Board's strategic review of the business and the options available. The acquisition brought together the sales and marketing skillset of CloudCoCo Limited with the technical knowledge and product suite of Adept4.

After reviewing the forecast sales growth, budgets and cash projections, including sensitivity analysis on the key assumptions, for the next twelve months and beyond the Directors have reasonable expectations that the Group and the Company have adequate resources to continue operations for the foreseeable future, being a period of at least one year from the date of approval of these financial statements. Furthermore, taking into account the assurance of ongoing support from a significant shareholder, which the Directors reasonably believe has sufficient resources to provide such support, the Directors continue to adopt the going concern basis in preparing these financial statements.

Directors
The present membership of the Board is as follows:

Andy Mills, Chief Executive Officer (appointed 21 October 2019)
Mike Lacey, Chief Financial Officer (appointed 21 January 2020)
Simon Duckworth, Non-Executive Chairman
Dr Tom Black, Non-Executive Director
Jill Collighan, Non-Executive Director

The names and biographical details of the current Directors of the Company are given on page 9.

Dr Tom Black will not be offering himself for re-election at the forthcoming Annual General Meeting.

Details of Directors' interests in the Company's shares, service contracts and remuneration are set out in the Directors' Remuneration Report on pages 14 and 15.

Fees in relation to Jill Collighan are paid to MXC Advisory Limited a subsidiary of MXC Capital Limited which has a 15.2% holding in the shares of the Company (shareholding at 30 September 2019: 29.9%) and which holds loan notes in the Company to the value of £3.5 million. No other Director had a material interest in any significant contract with the Company or any of its subsidiaries during the year.

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.

Share warrant instruments
There were no new share warrants issued during the year. Details of the existing share warrants remaining in force can be found in Note 7 to the consolidated financial statements.

Directors' report (continued)

Issue of shares
At the general meeting held on 25 March 2019, shareholders granted authority to the Board under the Articles and Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot relevant securities up to an aggregate amount of up to one-third of the authorised share capital of the Company, up to the amount specified in the resolutions. At the same meeting shareholders granted authority to the Board under the Articles and Section 570 of the Act to exercise all powers of the Company to allot relevant securities wholly for cash up to an aggregate amount of up to 10% of the share capital, without application of the statutory pre-emption rights contained in Section 561(1) of the Act.

Post-balance sheet events
Details of post-balance sheet events are given in Note 23.

Financial risk management and objectives
Details of financial risk management and objectives are contained in Note 22 to the consolidated financial statements.

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 in London on 31 March 2020 at 1:00 p.m..

Notice of the Annual General Meeting will be sent to shareholders on 6 March 2020.

Independent Auditor
Nexia Smith & Williamson was appointed as Auditor to the Group on 29 October 2014. Andrew Bond of Nexia Smith & Williamson has therefore acted as Senior Statutory Auditor of the Group, for a period of five years. On 19 November 2019, the Group's Audit Committee informed Adept4 shareholders that it had sought, and received, the approval of Nexia Smith & Williamson to extend Mr Bond's tenure for one year beyond the five years normally permitted by the Financial Reporting Council's Ethical Standard ("the Ethical Standard"). This extension was granted in the interests of maintaining audit quality and continuity following the acquisition of CloudCoCo Limited on 21 October 2019. This extension is permitted under the Ethical Standard and will enable Mr Bond to sign the auditor's report on the financial statements for the year ended 30 September 2019. There are no contractual obligations in place that restrict our choice of statutory Auditor.

By order of the Board

Darron Giddens
Company Secretary
14 February 2019

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The Directors have elected to prepare the Company financial statements under UK Generally Accepted Accounting Practice (UK GAAP).

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 parent company and of the Group and of the profit or loss of the Group for that period. In preparing these 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;
- state whether applicable IFRSs and UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 transactions, disclose with reasonable accuracy at any time the financial position of the Group 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Directors' Report and the Strategic Report, in addition to any other information included in the Annual Report, is prepared in accordance with United Kingdom company law. They are also responsible for ensuring that the Annual Report includes information required by the AIM Rules.

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 Group financial statements of CloudCoCo Group plc (the 'Group') for the year ended 30 September 2019 which comprise the Consolidated Income Statement, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the notes to the Group financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 September 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 Auditor's responsibilities for the audit of the Group 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 Group financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Group financial statements is not appropriate; or
- the Directors have not disclosed in the Group financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Group financial statements are authorised for issue.

Key audit matters

We identified the key audit matters described below as those which were of most significance in the audit of the Group financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the Group financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

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

Key audit matter	Description of risk	How the matter was addressed in the audit with respect to that risk
Revenue recognition (See Note 2c)	Revenue growth is a key performance indicator of the Group. Revenue based targets may place pressure on management to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations. This is the first year in which the Group is required to apply IFRS15 ‘Revenue recognition’.	The Group’s revenue recognition policies are stated in Note 2c. In testing revenue recognition we have: • gained an understanding of the design and implementation of the controls over revenue recognition which have been designed by the Group to prevent and detect fraud and errors in revenue recognition; • recalculated the revenue recognised on a sample of contracts, corroborating the details to the underlying contracts. In respect of bundled contracts we tested the individual components of a sample of contracts to ensure that the revenue was appropriately allocated to the components and that the substance of the contract was appropriately accounted for; • performed tests of detail of a sample of accrued revenue and deferred revenue items to ensure the items are accounted for in accordance with the revenue recognition policy; • performed tests of detail on revenue cut-off to ensure that items are accounted for in the correct period; • reviewed the Group’s assessment of the IFRS15 impact on their accounts; • reviewed terms of major contracts and assessed the accounting for each revenue stream for compliance with IFRS15; and • performed a review of credit notes to ensure that all sales made in the year relate to services provided during the year.
Going concern (See Note 1.1)	The Group recorded a loss for the year of £5.15m, net liabilities at the year-end of £1.1m and a net cash outflow of £1.1m. The Company issued £5 million of unsecured loan notes to the BGF on 26 May 2016. The loan notes have regular interest payments with a maximum credit exposure at 30 September 2019 of £6m. Subsequent to the year end on 21 October 2019 £1.5million of the loan notes were waived and cancelled by BGF, reducing the liability to £3.5million and MXC purchased the remaining £3.5million loan notes from BGF and restructured their terms (note 23). The assessment of forward-looking projections requires significant judgement and estimates	We discussed the detailed cash flow forecasts prepared by management in their model. The main procedures performed on the model and areas where we challenged management were as follows: • assessed the quality of management forecasting by comparing forecasts from prior periods to actual outcomes; • the consistency of forecasts for the enlarged Group used in the going concern assessment with those used for the pre-acquisition business year end impairment calculations; • tested the appropriateness of the assumptions that had the most material impact. In challenging these assumptions we took account of actual results, revenue growth and costs projected together with market conditions; • test checked the arithmetic integrity of the calculations including those related to management’s sensitivities; • performed our own sensitivity calculations to test the adequacy of the available headroom; • reviewed the appropriateness of the disclosures made in the Group Financial Statements in respect of going concern; and • Reviewed correspondence relating to shareholder support and financial statements for the relevant shareholder.

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

Carrying value of goodwill and intangibles (see Note 10)	The Group has significant intangible asset balances including customer bases, brands and goodwill derived from historic acquisitions. The assessment of the carrying value requires significant judgement in assessing forecast cash flows, growth rates and discount rates. The assessment of the carrying value of these balances and consequently any required impairment is sensitive to these assumptions.	We challenged the assumptions used in the impairment model for goodwill, as described in note 10. These assumptions were also used in assessing the carrying value and impairment of other intangible assets. As part of our procedures we: • examined management’s assessment as to whether indicators of impairment have been identified and appropriately evaluated; • assessed whether the cash generating unit (CGU), identified is at the lowest level at which management monitors goodwill; • challenged the discounted cash flow model used to support the carrying values of intangibles and goodwill, including the appropriateness of the assumptions used in the forecasts such as projected growth rate, cost projections and the discount rate; • test checked arithmetic formulae within the model; • compared the group’s historical forecasting accuracy by comparing the previous years’ forecasts to the actual outturn; • performed sensitivity analyses of the key assumptions used by management and assessed the adequacy of management's disclosures of sensitivity and key risks inherent in the calculation; • compared the carrying values of the cash generating units in total against the Group’s market capitalisation; and • compared actual trading results post year end to those included within forecasts.

Materiality
The materiality for the Group financial statements as a whole was set at £145,150. This has been determined with reference to the benchmark of the Group's revenue, which we consider to be one of the principal considerations for members of the parent company in assessing the performance of the Group. Materiality represents 2% of revenue as presented on the face of the Consolidated Income Statement.

An overview of the scope of our audit
Of the Group's five reporting components, three were subject by us to full scope audit procedures and two to specific audit procedures where the extent of our audit work was based on the significance of that component to the group.

The components within the scope of our work covered: 100% of Group revenue and 100% of Group net assets.

Other information
The other information comprises the information included in the annual report, other than the Group and parent company financial statements and our auditor's reports thereon. The Directors are responsible for the other information. Our opinion on the Group 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.

In connection with our audit of the Group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group financial statements or our knowledge obtained in 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 there is a material misstatement in the Group financial statements or a material misstatement of the other information. 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.

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

Opinion 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 Group financial statements are prepared is consistent with the Group financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and its 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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 Statement of Directors' responsibilities set out on page 18, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Directors determine is necessary to enable the preparation of Group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group financial statements, the Directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Group financial statements
Our objectives are to obtain reasonable assurance about whether the Group 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 Group financial statements.

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

Other matter
We have reported separately on the parent company's financial statements of CloudCoCo Group plc for the year ended 30 September 2019.

Use of our report
This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Bond
Senior Statutory Auditor,
for and on behalf of Nexia Smith & Williamson
Statutory Auditor, Chartered Accountants
25 Moorgate London EC2R 6AY
14 February 2020

Consolidated income statement

for the year ended 30 September 2019

	Note	**2019 £'000**	2018 £'000
Continuing operations			
Revenue	3	**7,257**	10,185
Cost of sales		**(3,530)**	(4,480)
Gross profit	3	**3,727**	5,705
Administrative expenses		**(4,383)**	(5,598)
Amortisation of intangible assets	10	**(907)**	(907)
Depreciation	11	**(100)**	(136)
Separately identifiable costs	4	**(3,255)**	(2,390)
Share-based payments	7	**(71)**	(48)
Operating loss	5	**(4,989)**	(3,374)
Interest receivable	6	**3**	7
Interest payable	6	**(602)**	(609)
Net finance expense		**(599)**	(602)
Loss before taxation		**(5,588)**	(3,976)
Taxation	8	**438**	169
Loss and total comprehensive loss for the year attributable to owners of the parent		**(5,150)**	(3,807)
Loss per share			
Basic and fully diluted	9	**(2.27)p**	(1.68)p

Non-statutory measure: Trading Group EBITDA*			
Operating loss		**(4,989)**	(3,374)
Plc costs		**421**	482
Amortisation of intangible assets	10	**907**	907
Depreciation	11	**100**	136
Separately identifiable costs	4	**3,255**	2,390
Share-based payments	7	**71**	48
Trading Group EBITDA*		**(235)**	589

*earnings before net finance costs, tax, depreciation, amortisation, plc costs, separately identifiable items and share-based payments

The accompanying accounting policies and notes on pages 27 to 46 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 30 September 2019

	Note	**30 September 2019 £'000**	30 September 2018 £'000
Non-current assets			
Intangible assets	10	**4,394**	8,282
Property, plant and equipment	11	**62**	146
Total non-current assets		**4,456**	8,428
Current assets			
Inventories	13	**32**	26
Trade and other receivables	14	**1,489**	2,900
Cash and cash equivalents	15	**311**	1,427
Total current assets		**1,832**	4,353
Total assets		**6,288**	12,781
Current liabilities			
Short-term borrowings		**(32)**	(32)
Trade and other payables		**(876)**	(1,102)
Other taxes and social security costs		**(302)**	(377)
Accruals and deferred income		**(1,093)**	(1,937)
Total current liabilities	16	**(2,303)**	(3,448)
Non-current liabilities			
Long-term borrowings	16	**(4,286)**	(4,117)
Deferred tax liability	18	**(810)**	(1,248)
Total non-current liabilities		**(5,096)**	(5,365)
Total liabilities		**(7,399)**	(8,813)
Net (liabilities) / assets		**(1,111)**	3,968
Equity			
Share capital		**2,271**	2,271
Share premium account		**11,337**	11,337
Capital redemption reserve		**6,489**	6,489
Merger reserve		**1,997**	1,997
Other reserve		**1,720**	1,649
Retained earnings		**(24,925)**	(19,775)
Total equity	19	**(1,111)**	3,968

These financial statements were approved and authorised for issue by the Board of Directors on 14 February 2020.
Signed on behalf of the Board of Directors by

Michael Lacey
Director

The accompanying accounting policies and notes on pages 27 to 46 form an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 30 September 2019

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2017	2,271	11,337	6,489	1,997	1,601	(15,968)	7,727
Loss and total comprehensive loss for the period	—	—	—	—	—	(3,807)	(3,807)
Transactions with owners							
Share-based payments	—	—	—	—	48	—	48
Total transactions with owners	—	—	—	—	48	—	48
Total movements	—	—	—	—	48	(3,807)	(3,759)
Equity at 30 September 2018	**2,271**	**11,337**	**6,489**	**1,997**	**1,649**	**(19,775)**	**3,968**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2018	2,271	11,337	6,489	1,997	1,649	(19,775)	3,968
Loss and total comprehensive loss for the period	—	—	—	—	—	(5,150)	(5,150)
Transactions with owners							
Share-based payments	—	—	—	—	71	—	71
Total transactions with owners	—	—	—	—	71	—	71
Total movements	—	—	—	—	71	(5,150)	(5,079)
Equity at 30 September 2019	**2,271**	**11,337**	**6,489**	**1,997**	**1,720**	**(24,925)**	**(1,111)**

The accompanying accounting policies and notes on pages 27 to 46 form an integral part of these financial statements.

Consolidated statement of cash flows
for the year ended 30 September 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Loss before taxation	**(5,588)**	(3,976)
Adjustments for:		
Depreciation	**100**	136
Amortisation	**907**	907
Share-based payments	**71**	48
Net finance expense	**599**	602
Settlement of warranty claim	**600**	(1,578)
Impairment of goodwill	**3,021**	2,644
Decrease in trade and other receivables	**811**	73
(Increase)/decrease in inventories	**(6)**	40
(Decrease)/increase in trade payables, accruals and deferred income	**(1,045)**	195
Net cash used in operating activities	**(530)**	(909)
Cash flows from taxation	—	—
Cash flows from investing activities		
Purchase of property, plant and equipment	**(16)**	(70)
Purchase of intangible assets	**(40)**	—
Payment of deferred consideration	**—**	(8)
Interest received	**3**	7
Net cash used in investing activities	**(53)**	(71)
Cash flows from financing activities		
Finance lease income received	—	56
Payment of finance lease liabilities	**(30)**	(44)
Interest paid	**(403)**	(410)
Net cash used in financing activities	**(433)**	(398)
Cash flows from discontinued operations		
Settlement of dispute with Chess ICT Limited	**(100)**	(100)
Net cash used in discontinued operations	**(100)**	(100)
Net decrease in cash	**(1,116)**	(1,478)
Cash at bank and in hand at beginning of period	**1,427**	2,905
Cash at bank and in hand at end of period	**311**	1,427
Comprising:		
Cash at bank and in hand	**311**	1,427

Notes to the consolidated financial statements

1. General information

CloudCoCo Group plc (formerly Adept4 plc) is a public limited company incorporated 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 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 applicable International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with the Companies Act 2006. 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.

As detailed further in the Directors' Report, taking into account post balance sheet financial restructuring and after reviewing the forecast sales growth, budgets and cash projections, including sensitivity analysis on the key assumptions, for the next twelve months and beyond, the Directors have reasonable expectations that the Group and the Company have adequate resources to continue operations for the foreseeable future. Furthermore, taking into account the assurance of ongoing support from a significant shareholder, which the Directors reasonably believe has sufficient resources to provide such support, 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

During the year ended 30 September 2019, the Group adopted the following new financial reporting standards for the first time:

- IFRS 15 Revenue from Contracts with Customers (for accounting periods commencing on/after 1 January 2018); and
- IFRS 9 Financial Instruments (for accounting periods commencing on/after 1 January 2018).

The key areas of difference between the IFRS 15 policies and those used in prior financial years are as follows:

Previously, we did not capitalise the cost of obtaining a contract unless it involved significant set-up costs. Under IFRS 15 there is a broader definition of what can be capitalised as cost to obtain a contract. Where these costs have been identified, we have matched the amortisation of capitalised costs to obtain a contract to the revenue recognised in the period but have used the practical expedient of IFRS 15 not to capitalise costs that relate to revenue that will be recognised within twelve months.

As a practical expedient and as allowed under the standard we have applied the five-step approach under IFRS 15 to portfolios of contracts which have similar characteristics and where we expect that the financial statements would not reasonably differ materially had the standard been applied to the individual contracts within the portfolio.

IFRS 15 has not had a material impact on the timing and amount of revenue and costs being recognised in the current or previous financial year and there was no impact on cash flows with cash collections remaining in line with contractual terms.

IFRS 9 has not had a material impact on the results of the Group.

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

The following standards and interpretations, which are endorsed by the EU, have not been adopted early by the Group but will be adopted in future accounting periods:

- IFRS 16 Leases (effective for accounting periods commencing on/after 1 January 2019).

IFRS 16, covers the accounting of leases and has replaced IAS 17 and associated interpretations. It has introduced a standard accounting model for lessees. As lessees, we are obliged to recognise assets and liabilities for all leases over twelve months unless the underlying asset has a low value. Once we adopt the standard, we will recognise an asset reflecting our right to use the underlying leased object, in addition to the lease liability, reflecting our obligation to make the lease payments. The main impact of IFRS 16 is around property leases, of which the Group currently has two.

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 or associates 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 (j) for a description of impairment testing procedures.

c) Revenue and revenue recognition

Revenue arises from the sale of goods and the rendering of services. 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 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.

Goods and services are classified as distinct if the customer can benefit from the good 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 consecutively 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 when the Group has transferred the significant risks and rewards of ownership to the buyer, generally when the customer has taken undisputed delivery of the goods. Revenue from the sale of software with no significant service obligation is recognised on delivery.

Rendering of services

The Group generates revenues from managed services, support services, maintenance, resale of telecommunications ("Recurring Services") and professional services. Consideration received for these services is initially deferred (when invoiced in advance), included in accruals and deferred income and recognised as revenue in the period when the service is performed.

In recognising Recurring Services revenues, the Group recognises revenue equally over the duration of the contractual term. Third-party costs (where relevant) relating to these services are, likewise, spread equally over the duration of the contractual term.

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 (h).

f) 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 on page 23.

g) Separately identifiable items

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.

Separately identifiable 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 separately identifiable items.

h) 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
Plant, machinery and Motor vehicles	–	three to four years

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

i) 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. Intangibles 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 2019:

- IT and billing systems amortised over three years (previously amortised over ten years);
- customer lists amortised over five to ten years; and
- brands amortised over ten years.

The allocation of fair values to the tangible assets and the identification and valuation of intangible assets affect the calculation of goodwill recognised in respect of an acquisition and as such represent a key source of estimation uncertainty. Refer to principal accounting policy (t).

j) 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 flows (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 weighted average cost of capital (WACC) specific to each CGU, based on the internal rate of return calculated over the useful economic life of the asset or ten years (whichever is the sooner). The internal rate of return for each CGU reflects the time value of money and the nature and risks of the CGU. Where the CGU contains a customer base, then this asset is discounted further using an annual customer retention ratio to reflect the assumed diminution of revenues from a customer base over time. The customer retention ratio used is measured separately by CGU and is calculated as the higher of the actual customer base retention ratio experienced or 80% per annum. Cash flows are estimated over a maximum of ten years. The term and customer retention ratio is attributed separately to each asset and is assessed by the Board at the time of acquisition.

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.

k) Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the Consolidated Income Statement over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the Consolidated Income Statement on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

l) 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.

m) 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.

Notes to the consolidated financial statements (continued)

n) Financial assets

Financial assets are divided into categories as appropriate. These are the first full year results which are presented by the Group following the adoption of IFRS 9 and 15. The adoption of both IFRS 15 and IFRS 9 has not resulted in restatements but has resulted in additional disclosure.

The Group implemented IFRS 9 Financial Instruments, as of 1 October 2018 and also considered the impact on the comparative results. IFRS 9 introduces principle-based requirements for the classification of financial assets, using the following measurement categories: (i) Amortised cost; (ii) Fair value through Other Comprehensive Income with cumulative gains and losses reclassified to profit or loss upon derecognition; and (iii) Fair value through profit or loss. IFRS 9 also introduces a new impairment model, the expected credit loss model.

The Group undertook an assessment of how the adoption of IFRS 9 would impact the Group's financial instruments. The key area that was identified across the business was the bad debt provisioning because of the implementation of the expected credit loss model and it was concluded that no restatement was required.

The Group now reviews the amount of credit loss associated with its trade receivables based on forward looking estimates, taking into account current and forecast credit conditions as opposed to relying on past historical default rates. In adopting IFRS 9 the Group has 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. Having assessed the requirements according to the new standard, the Group has concluded that no significant additional impairment to the carrying values of the assets was required at 1 October 2017, at 30 September 2018 or at 30 September 2019. Details of the expected credit loss provision for trade receivables is shown in note 14.

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.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short-term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.
All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs. 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.

o) Cash and cash equivalents

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

p) Financial liabilities

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 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.

q) Equity

Equity 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, and the equity element in the form of share warrants, contained in the financial instrument issued to the Business Growth Fund ("BGF") on 26 May 2016.
- "Retained earnings reserve" represents retained profits and accumulated losses.

r) 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. 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.

s) 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. The total charge to the Consolidated Income Statement for the period was £69,000 (2018: £125,000). There were £10,000 of pension contributions payable at the reporting date (2018: £15,000).

t) 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 affect the goodwill and the assignment of that to each cash generating unit, recognised in respect of the acquisitions. The allocation of fair value between the loan note and share option elements of the financial instrument issued to the BGF on 26 May 2016 uses the Black Scholes pricing model to calculate the fair value of the share option element. The resulting fair value calculation of the share option element is then used to determine the implied effective borrowing rate of the loan notes. Note 7 contains more detail on the BGF financial instrument. Estimates and judgements around the allocation of fair values are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

Intangible assets

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 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 WACC, based on the internal rate of return for each asset, calculated over its useful economic life.

Determining whether intangible assets, including goodwill, are impaired requires an estimate of whether there is an impairment indicator. The key estimate for the carrying value of intangible assets is the cash flows associated with the intangible assets and the WACC. 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.

Notes to the consolidated financial statements (continued)

3. Segment reporting

The Chief Operating Decision Maker ("CODM") has been identified as the 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. 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 three categories separately (Recurring Services, Product and Professional Services), the operating costs and operating asset base used to derive these revenue streams are the same for all three categories and are presented as such in the Group's internal reporting. Accordingly, the segmental analysis below is therefore shown at a revenue and gross profit level in line with the CODM's internal assessment based on the following reportable operating segments:

Recurring Services	–	This segment comprises the provision of continuing IT services which have an ongoing billing and support element.
Product	–	This segment comprises the resale of solutions (hardware and software) from leading technology vendors.
Professional Services	–	This segment comprises the provision of highly skilled resource to consult, design, install, configure and integrate IT technologies.

All revenues are derived from customers within the UK and no customer accounts for more than 10% of external revenues. Inter-segment 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. This analysis is consistent with that used internally by the CODM and, in the opinion of the Board, reflects the nature of the revenue.

3.1.1 Revenue

	2019 £'000	2018 £'000
Recurring Services	**5,153**	7,100
Product	**1,405**	1,987
Professional Services	**699**	1,098
Total Revenue	**7,257**	10,185

3.1.2 Gross Profit

	2019 £'000	2018 £'000
Recurring Services	**2,896**	4,231
Product	**278**	439
Professional Services	**553**	1,035
Total Gross Profit	**3,727**	5,705

4. Separately identifiable costs

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

	2019 £'000	2018 £'000
Income from settlement of warranty claim	—	1,578
Costs in relation to the warranty claim and other M&A activities	—	(481)
Settlement of historic Microsoft licence review	—	(376)
Impairment of goodwill and intangible assets (Note 10)	(3,021)	(2,644)
Integration and restructure costs	(226)	(271)
Foreign exchange rate variances	(8)	—
Costs in relation to disposal of Pinnacle CDT Limited	—	(196)
Separately identifiable costs	(3,255)	(2,390)

The Board has assessed the carrying value of the Group's goodwill and following an assessment of current budgets and forecasts for the Group, an impairment charge of £3.0m (FY18: £2.6m) has been made.

Notes to the consolidated financial statements (continued)

5. Operating loss

	2019 £'000	2018 £'000
Operating loss is stated after charging:		
Depreciation of owned assets	**100**	136
Amortisation of intangibles	**907**	907
Operating lease rentals:		
– Buildings	**106**	105
Auditor's remuneration:		
– Audit of parent company	**22**	20
– Audit of subsidiary companies	**42**	37
– Audit costs relating to prior year	**20**	28
– Audit-related assurance services	**7**	6
– Corporation tax services	**10**	16

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:

	2019 £'000	2018 £'000
Interest income resulting from short-term bank deposits	**3**	**7**
Finance income	**3**	**7**
Interest expense resulting from:		
Finance leases	**3**	10
BGF loan notes	**400**	400
Effective interest on liability element of the BGF loan notes	**199**	199
Finance costs	**602**	609

As detailed in Note 7, the company had a liability to the Business Growth Fund ("BGF") in respect of loan notes and share options. In accordance with IAS 32, the BGF loan note and share option elements were linked and treated as a single financial instrument and shown at fair value. On initial recognition, the fair value of the loan amount was calculated at £3.6m using a discounted cash flow model over the seven-year term of the instrument and an effective borrowing rate of 15%. This was deemed to be an appropriate market rate, reflecting the 8% coupon interest payments and the capital repayment profile of the loan notes. The unwinding of the difference between the face value of the loan notes and their fair value on acquisition resulted in an effective interest charge on the BGF loan notes of £199,000 during the year (2018: £199,000).

7. Employee costs

7.1 Directors and employees

At 30 September 2019, the Group employed 51 staff (2018: 88). The average number of staff employed by the Group during the financial year amounted to 68 (2018: 102) as follows:

	2019	2018
Management staff	**13**	15
Operational staff	**55**	87
Total	**68**	102

Employee numbers are stated including Directors.

7.2 Employee remuneration

	2019 £'000	2018 £'000
Wages and salaries	2,949	3,990
Pension contributions	69	125
Share-based payments	99	(7)
Social security costs	292	391
Total	**3,409**	4,499

Notes to the consolidated financial statements (continued)

7.3 Directors

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

	Fees and salaries		Employer's NI contributions		Other benefits		Totals (including employer's NI)	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Non-Executive								
S Duckworth	**36**	36	**4**	4	—	—	**40**	40
T Black	**32**	32	**3**	3	—	—	**35**	35
Executive					—			
J Collighan[1]	**72**	30	**—**	—	—	—	**72**	30
N Deman (in office 20 March 2018 to 30 September 2018)	**—**	76	**—**	1	—	—	**—**	77
I Winn (resigned 20 March 2018)	**—**	70	**—**	8	—	(29)	**—**	49
Total	**140**	244	**7**	16	—	(29)	**147**	231

1. fees in relation to J Collighan are paid to MXC Capital Advisory Limited (see Note 20).

The Managing Director and the Finance Director of the trading business as at 30 September 2019 are considered to be key management personnel and had aggregate emoluments during the year of £201,600 (2018: £203,100).

Benefits include the costs of share options issued in accordance with IFRS 2 Share-based Payments to the Directors of the Company as follows:

Name of Director	**2019 £'000**	2018 £'000
I Winn (resigned 20 March 2018)	**—**	(30)

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 individuals 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.

	2019 Number	**2019 Weighted average exercise price**	2018 Number	2018 Weighted average exercise price
Outstanding at 1 October	**9,849,358**	**6.08p**	15,597,691	6.82p
Granted	**—**	**—**	—	—
Lapsed	**(1,301,666)**	**11.73p**	(5,748,333)	8.09p
Outstanding at 30 September	**8,547,692**	**5.22p**	9,849,358	6.08p

During the year no share options were granted (2018: nil) and 1,301,666 share options lapsed in accordance with the share issue documents. At 30 September 2019, the Company had granted the following outstanding share options:

Date granted	**Balance 2019**	Movement during the year	Balance 2018	Exercise price	Dates exercisable	Remaining contractual life (months)
9 July 2009	—	(166,666)	166,666	30.00p	9 July 2011–9 July 2019	—
25 March 2015	207,692	—	207,692	—	25 March 2018–25 March 2025	66
28 September 2016	4,540,000	(1,135,000)	5,675,000	9.00p	28 September 2019–28 September 2026	84
31 March 2017	3,800,000	—	3,800,000	1.00p	1 April 2022–31 March 2027	90
Total	**8,547,692**	(1,301,666)	9,849,358	5.22p		

7.4 Share-based payments (continued)

(ii) Non-employee share options and warrants

In consideration of the issue of £5m loan notes on 26 May 2016 by the BGF, they were granted an option to subscribe for 50,000,000 Ordinary Shares of 1p each in the capital of the Company at a price of 6p per Ordinary Share. The fair value of these options is linked to the treatment of the loan notes and valued in accordance with Notes 6 and 17.

In consideration of its agreement to partially underwrite the placing of £0.86m on 14 May 2015, MXC Capital Limited was granted warrants over 5% of the share capital of the Company. The warrant instrument provided that the number of warrants created under the terms of this instrument shall at all times be equal to 5% of the issued share capital of the Company. This figure of 5% will be reduced pro rata by any allotment and issue of new Ordinary Shares pursuant to any partial exercise of warrants during the seven-year exercise period.

The warrants were exercisable at the price of 6.50p and shall be exercisable over a seven-year period from 28 April 2015 on the following terms:

(i) the warrants vest a third per annum over the first three years; and

(ii) 50% of the warrants that vest in any year (one-third of the total) become exercisable immediately and the remaining 50% of the warrants only become exercisable subject to a 12% per annum compound growth in the Company's share price above 6.50p.

Certain provisions were contained in the warrant instrument to provide for the entire award being exercisable on a takeover of the Company.

The BGF options were restructured and the MXC warrants were cancelled as part of the refinancing following the acquisition of CloudCoCo Limited on 21 October 2019. Further details are given in note 7.

The total non-employee share options and warrants in issue at 30 September 2019 are:

Date granted	**Balance 2019**	Movement during the year	Balance 2018	Exercise price	Dates exercisable	Remaining contractual life (months)
28 April 2015	**13,853,255**	—	13,853,255	6.50p	28 April 2018–28 April 2022	31
26 May 2016	**50,000,000**	—	50,000,000	6.00p	26 May 2016–26 May 2031	140
Total	**63,853,255**	—	63,853,255	6.11p		

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

	2019 £'000	2018 £'000
Share options	16	(7)
Share warrants	55	55
Total	71	48

Notes to the consolidated financial statements (continued)

8. Income tax

	2019 £'000	2018 £'000
Current tax		
UK corporation tax for the period at 19% (2018: 19%)	—	—
Deferred tax		
Deferred tax credit on intangible assets	(438)	(169)
Total tax credit for the year	(438)	(169)

The relationship between expected tax expense based on the standard rate of tax in the UK of 19% (2018: 19%) and the tax expense actually recognised in the Consolidated Income Statement can be reconciled as follows:

	2019 £'000	2018 £'000
Loss for the year before tax:	(5,588)	(3,976)
Tax rate	19%	19%
Expected tax credit	(1,062)	(755)
Adjusted for:		
Credits not chargeable to tax	—	(300)
Non-deductible expenses	641	908
Movement in unprovided deferred tax relating to losses	287	5
Change in tax rates	(13)	24
Short-term timing differences	585	287
	438	169

The Group has unrecognised deferred tax assets in respect of tax losses carried forward totalling £1,290,000 (2018: £1,577,000).

9. Loss per share

	2019 £'000	2018 £'000
Loss attributable to ordinary shareholders	**(5,150)**	(3,807)

	Number	Number
Weighted average number of Ordinary Shares in issue, basic and diluted	**227,065,100**	227,065,100
Basic and diluted loss per share	**(2.27)p**	(1.68)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.

Notes to the consolidated financial statements (continued)

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 Group's policy is to amortise IT and billing and website systems over 3 years. Customer lists and brands are amortised over a maximum period of ten years from the date of acquisition.

Intangible assets	Goodwill £'000	IT, billing and website systems £'000	Brand £'000	Customer lists £'000	Total £'000
Cost					
At 1 October 2017	4,447	113	1,157	7,580	13,297
Adjustments to provisional fair values	—	29	—	—	29
At 1 October 2018	4,447	142	1,157	7,580	13,326
Additions	—	40	—	—	40
At 30 September 2019	**4,447**	**182**	**1,157**	**7,580**	**13,366**
Accumulated amortisation					
At 1 October 2017	—	(7)	(150)	(1,136)	(1,293)
Charge for the year	—	(20)	(115)	(772)	(907)
At 1 October 2018	—	(27)	(265)	(1,908)	(2,200)
Charge for the year	—	(20)	(115)	(772)	(907)
At 30 September 2019	—	**(47)**	**(380)**	**(2,680)**	**(3,107)**
Impairment					
At 1 October 2017	(200)	—	—	—	(200)
Charge in the year	(2,644)	—	—	—	(2,644)
At 1 October 2018	(2,844)	—	—	—	(2,844)
Charge in the year	(1,603)	—	(225)	(1,193)	(3,021)
At 30 September 2019	**(4,447)**	—	(225)	**(1,193)**	**(5,865)**
Carrying amount					
At 30 September 2019	—	**135**	**552**	**3,707**	**4,394**
At 30 September 2018	1,603	115	892	5,672	8,282
Average remaining amortisation period		**1.8 years**	**4.8 years**	**4.8 years**	**4.8 years**

Intangible assets require three conditions to be fulfilled:

i. identifiable – either separable or arising from a contractual or other legal right;

ii. can be controlled; and

iii. future economic benefits exist.

On acquisition, cash flows from customer assets, which are not subject to a defined contract term and can be cancelled by serving notice, are subject to an attrition analysis using projected growth rates for the first three years and 5% growth per annum thereafter, and the actual retention rates for each customer base acquired. The resulting cash flows are modelled over an extended number of years until all of the expected future cash flows are identified. The discount rates used in the cash flow projections were calculated using a weighted average cost of capital (WACC) specific to each asset acquired and ranged from 10.2% to 17.3% across the acquisitions.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (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 flows. Each year, management compares the resulting cash flow projections by CGU to the carrying value of goodwill. Any material variance in this calculation results in an impairment charge to the Consolidated Income Statement.

Notes to the consolidated financial statements (continued)

10. Intangible assets (continued)

The calculations used to compute cash flows at CGU level are based on the Group's budget, growth rates, WACC and other known variables. The calculations are sensitive to movements in both WACC, the effective unsecured borrowing rate of the Group and the customer retention ratio. The current effective unsecured borrowing rate is calculated at 15% per annum. Sensitivities have been run on cash flow forecasts for all CGUs. Management is satisfied that the key assumptions of revenue and EBITDA growth rates are achievable and that reasonably possible changes to those key assumptions would not lead to the carrying amount of the relevant CGU exceeding the recoverable amount. Sensitivity analyses have been performed and the table below summarises the effects of changing certain key assumptions and the resultant excess (or shortfall) of discounted cash flows against the aggregate of goodwill and intangible assets.

Sensitivity analysis

Sensitivity analysis	Adept4 Managed IT Limited £'000
Base case fair value of intangible assets by CGU (including goodwill)	4,394
Excess of fair value over carrying value:	
Base case	—
Discount rate increased to 16%	(269)
Revenues reduced by 5% per annum	(455)

Base case calculations highlight that the impairment review is sensitive to the discount rate and growth rate. Given the Group's value proposition is centred around generating monthly recurring fees for IT as a Service, the Directors are satisfied that the Group's objectives are to maximise the cash flows generated through the sales of Recurring Services.

In determining whether intangible assets including goodwill were impaired, the directors estimated the discounted future cash flows associated with the intangible assets over a ten-year period, using a discount rate equivalent to the WACC. The directors also considered the impact of the customer notice of termination received and the reduction in Trading EBITDA* during the year as indicators that the intangible assets were impaired. The goodwill and other intangibles were impaired by £3.0m during the year (2018: £2.6m).

At 30 September 2019, the Company had the following subsidiaries:

Active companies

Subsidiary company	Holding	Country of incorporation	Shares	Nature of business
CloudCoCo Holdings Limited (formerly Adept4 Holdings Limited)	100%	Scotland	Ordinary	Holding company
CloudCoCo Managed IT Limited (formerly Adept4 Managed IT Limited)	100%	England and Wales	Ordinary	ITaaS

Dormant companies

Subsidiary company	Holding	Country of incorporation	Shares	Nature of business
Pinnacle CDT Limited	100%	England and Wales	Ordinary	Dormant
CloudCoCo Cloud Services Limited (formerly Adept4 Cloud Services Limited)	100%	England and Wales	Ordinary	Dormant
Ancar-B Technologies Limited	100%	England and Wales	Ordinary	Dormant

For the year ending 30 September 2019 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies.

Subsidiary Name	Companies House Registration Number
Pinnacle CDT Limited	04613699
CloudCoCo Cloud Services Limited (formerly Adept4 Cloud Services Limited)	11504479
Ancar-B Technologies Ltd	03347248

Notes to the consolidated financial statements (continued)

11. Property, plant and equipment

	IT equipment £'000	Fixtures, fittings and leasehold improvements £'000	Total £'000
Cost of assets			
At 1 October 2017	302	148	450
Additions	70	—	70
Disposals	(16)	—	(16)
At 30 September 2018	356	148	504
Additions	23	—	23
Disposals	(125)	(54)	(179)
At 30 September 2019	**254**	**94**	**348**
Depreciation			
At 30 September 2017	152	70	222
Charge for the year	79	57	136
At 30 September 2018	231	127	358
Charge for the year	80	20	100
Disposals	(118)	(54)	(172)
At 30 September 2019	**193**	**93**	**286**
Net book value			
At 30 September 2019	**61**	**1**	**62**
At 30 September 2018	125	21	146

12. Leases

12.1 Operating leases

The Group's minimum operating lease payments relate to motor vehicles and land and buildings as follows:

12.1.1 Land and Buildings

	Within 1 year £'000	1 to 5 years £'000	Total £'000
At 30 September 2019	70	117	187
At 30 September 2018	70	177	247

Lease payments recognised as an expense during the year amounted to £106,000 (2018: £105,000). No sublease income is expected as all assets held under lease agreements are used exclusively by the Group. The terms left on the non-cancellable leases can be summarised as follows:

Property	Non-cancellable term left
7750 Daresbury Business Park, Warrington	36 months
Victoria Spring Business Park, Liversedge, West Yorkshire	3 months

Operating leases do not contain any contingent rent clauses. None of the operating lease agreements contain renewal of purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt. Dilapidations are considered on a lease by lease basis based on the Group's best estimate of the likely committed cash outflow in the last 36 months of expected occupancy as the lease comes to an end. Dilapidations provisions during the year amounted to £15,000 (2018: Nil).

12.1.2 Motor Vehicles

	Within 1 year £'000	1 to 5 years £'000	Total £'000
At 30 September 2019	10	—	10
At 30 September 2018	37	10	47

Notes to the consolidated financial statements (continued)

12.2 Finance leases

Adept4 has finance leases which relate to assets used within the Group. The net carrying amount of the assets held under the leases is £25,000 (2018: £32,000). The assets are included under IT equipment and leasehold improvements. The amounts held under finance leases are secured on the assets concerned. Future minimum lease payments as at 30 September 2019 are:

	IT equipment £'000	Leasehold improvements £'000	Total £'000
Payments due within 1 year	26	13	39
Payments due between 1 and 5 years	9	9	18
Future minimum lease payments	**35**	**22**	**57**
Less interest due in payments	(4)	(4)	(8)
Capital sum due	31	17	48
Short-term obligations under finance leases	**21**	**11**	**32**
Long-term obligations under finance leases	**10**	**6**	**16**

13. Inventories

	2019 £'000	2018 £'000
Consumables	**14**	12
Work in progress	**18**	14
Inventories	**32**	26

14. Trade and other receivables

These are the first full year results which are presented by the Group following the adoption of IFRS 9 and 15.

	2019 £'000	2018 £'000
Trade receivables	**951**	1,343
Warranty settlement	—	600
Other Debtors	**3**	36
Prepayments and accrued income	**535**	921
Trade and other receivables	**1,489**	2,900

In adopting IFRS 9, the Group now reviews the amount of credit loss associated with its trade receivables 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 has 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 period end, customers were categorised into three categories based on spend in the last 12 months:

1. Top 10 customers, 2. Next 50 customers and 3. Others

Specific provisions are also made based on known issues or changes in the lifetime expected credit loss.

Category	**Impairment Rate**
Top 10 customers	0.0%
Next 50 customers	0.8%
Other customers	1.0%

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 40 days (2018: 47 days). Trade receivables are stated net of an impairment for estimated irrecoverable amounts of £137,000 (2018: £147,000). During the year, £118,000 of the opening impairment provision of £147,000 from 1 October 2018, was utilised as a result of bad debts written off and subsequently a further increase in the impairment provision of £108,000 was made, resulting in a Group provision of for impairment of trade receivables of £137,000 at 30 September 2019.

14. Trade and other receivables (continued)

At 30 September 2019 trade receivables amounting to £215,000 (2018: £206,000) were past due but not impaired.

The age of trade receivables not impaired is as follows:

	2019 £'000	2018 £'000
Less than 30 days	**582**	686
30–59 days	**154**	451
60–89 days	**140**	93
90–119 days	**39**	50
120+ days	**36**	63
	951	1,343

Credit risk

The Group's main risk relates to trade receivables which are stated net of the provisions above. No collateral is held as security against these debtors and the carrying value represents the fair value. The Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised represent a large number of receivables from various customers, including some government authorities.

15. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	**311**	1,427

Cash balances are held with a small number of counterparties. There were no borrowing facilities in place at 30 September 2019 other than the loan notes issued to the BGF (Note 17).

16. Trade and other payables

16.1 Current

	2019 £'000	2018 £'000
Trade payables	**876**	1,102
Accruals and deferred income	**1,093**	1,937
Finance leasing liability – short-term element	**32**	32
Other taxes and social security costs	**302**	377
Total current liabilities	**2,303**	3,448

16.2 Non-current

	2019 £'000	2018 £'000
BGF loan notes repayable to the BGF between three and seven years	**5,000**	5,000
Less fair value adjustment relating to the BGF loan notes	**(730)**	(929)
Fair value of BGF loan notes	**4,270**	4,071
Finance leasing liability – long-term element	**16**	46
Total non-current liabilities	**4,286**	4,117

Note 17 contains more detail on the loan notes repayable to the BGF.

Note 12 contains further information on the finance lease liability.

17. Financial instrument

On 26 May 2016, the Company issued £5m unsecured loan notes (“Loan Notes”) to the BGF with a seven-year term (although redemption is permissible from the third anniversary) with repayment between the fifth and seventh anniversaries in equal semi-annual repayments that carry interest at 8% per annum (“Coupon”). Assuming that the Loan Notes were held for seven years and not redeemed early, the maximum credit exposure at 30 September 2019, including interest, is £6.0m (2018: £6.4m), of which £1.0m (2018: £1.4m) relates to interest. As previously described, the Company also agreed to grant the BGF an option to subscribe for 50,000,000 Ordinary Shares of 1p at a subscription price of 6p any time before 26 May 2031. As the Loan Notes are unsecured, no collateral was offered to the BGF as security. The Loan Notes are not exposed to market interest rate increases over the term.

In accordance with IAS 32, the Loan Notes and share warrant elements were linked and treated as a single financial instrument and shown at fair value.

The fair value of the share options at 26 May 2016 (date of grant) has been calculated using the Black Scholes pricing model incorporating the following key assumptions:

- share price volatility of 40%;
- spot price of 6p per share;
- risk-free rate of 0.9%; and
- option period, aligned with the maximum amount of time the loan can remain outstanding.

Based on the assumptions above, the Black Scholes pricing model provided a fair value for the share option of 2.89p per share, which implied a total fair value for the share option of £1.4m. Based on the expected Coupon payments and repayment profile under the loan notes, this implies an effective borrowing rate of 15%. This resulted in a fair value of the loan amount at 26 May 2016 of £3.6m. The difference between the Coupon rate and the effective interest charge at 15% is charged through the Consolidated Income Statement over the life of the loan notes, and increases the outstanding loan note balance over time to match actual Coupon and capital cash repayments relating to the Loan Notes.

	Loan Note balance £’000	Carrying value Loan Notes £’000	8% interest payable £’000
Cash received from the BGF on 26 May 2016 for Loan Notes at 8% per annum interest	5,000	—	—
At 30 September 2018	5,000	4,071	—
Interest on Loan Notes at 8% per annum for the year to 30 September 2019	—	—	400
Notional interest on liability element of the BGF Loan Notes to 30 September 2019	—	199	—
At 30 September 2019	**5,000**	**4,270**	**400**

On 21 October 2019, the Group reached a settlement with BGF in relation to the £5m unsecured loan notes, further details are contained in note 23.

18. Deferred tax liabilities

	Deferred tax on acquired intangibles £’000
Deferred tax liability at 30 September 2017	1,416
Credited to income statement – on intangibles	(168)
Deferred tax liability at 30 September 2018	**1,248**
Credited to income statement – on intangibles	(438)
Deferred tax liability at 30 September 2019	**810**

Notes to the consolidated financial statements (continued)

19. Share capital and reserves

19.1 Share capital

Shares issued and fully paid

	2019 **£'000**	2018 £'000
Beginning of year	**2,271**	2,271
Issued during year	**—**	—
Shares issued and fully paid	**2,271**	2,271

Share capital allotted, called up and fully paid

	Ordinary Shares
Ordinary shares of £0.01p each	
At 30 September 2018 and 30 September 2019	**227,065,100**

19.2 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.

19.3 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.

19.4 Other reserve

Other reserves comprise:

- fair value of equity-settled share-based payments;
- fair value of MXC Capital warrants; and
- fair value adjustment relating to share option element of the BGF Loan Notes.

20. 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 14 and 15.

Jill Collighan, a Director of the Company, is an employee of the MXC Capital Limited group ("MXC"). At 30 September 2019, MXC had a 29.9% holding in the shares of the Company and also held share warrants, as disclosed in Note 7 and is considered to have a significant influence over the Group. 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.

Fees invoiced by MXC include £72,000 for Jill Collighan's services as an Executive Director, included as directors' emoluments in Note 20. Additionally, corporate finance advisory and transaction services were purchased from MXC as financial adviser to the Company. The Group purchased services totalling £102,000 (2018: £70,000) from MXC and at 30 September 2019 owed £129,000 to MXC (2018: £21,000).

21. Contingent liabilities

There are no contingent liabilities at 30 September 2019 (2018: nil).

22. 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 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 7 and 8.

22.1 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. The Group policy throughout the year has been to ensure continuity of funding by a combination of loan note funding, available bank facilities and the issue of equity.

22.2 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 £10,000 (2018: £10,000). The interest rate charged on finance leases and commercial loans is a fixed rate agreed at the time of signing the agreement.

22.3 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 25.

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.

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.

22.4 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 14 to the financial statements.

Notes to the consolidated financial statements (continued)

22.5 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:

2019	**Financial assets £'000**	**Non-financial assets £'000**	**Total £'000**
Trade and other receivables	**951**	**—**	**951**
Other current assets	**—**	**32**	**32**
Cash at bank and in hand	**311**	**—**	**311**
	1,262	**32**	**1,294**

2018	Financial assets £'000	Non-financial assets £'000	Total £'000
Trade and other receivables	1,356	—	1,356
Other current assets	600	26	626
Cash at bank and in hand	1,427	—	1,427
	3,383	26	3,409

2019	**Other financial liabilities at fair value £'000**	**Other liabilities not within scope of IFRS 9 £'000**	**Balance sheet total £'000**
Trade and other payables	**2,303**	**—**	**2,303**
Finance lease liability – current	**—**	**32**	**32**
Finance lease liability – non-current	**—**	**16**	**16**
Commercial loans – non-current	**5,000**	**—**	**5,000**
	7,303	**48**	**7,351**

2018	Other financial liabilities at fair value £'000	Other liabilities not within scope of IAS 39 £'000	Balance sheet total £'000
Trade and other payables	3,448	—	3,448
Finance lease liability – current	—	32	32
Finance lease liability – non-current	—	46	46
Commercial loans – non-current	5,000	—	5,000
	8,448	78	8,526

2019	**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**
Trade payables	**460**	**416**	**—**	**—**	**—**	**—**	**876**
Long-term borrowings	**—**	**—**	**—**	**1,250**	**3,750**	**—**	**5,000**
Finance lease liabilities	**5**	**11**	**16**	**16**	**—**	**—**	**48**
	465	**427**	**16**	**1,266**	**3,750**	**—**	**5,924**

2018	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
Trade payables	691	411	—	—	—	—	1,102
Long-term borrowings	—	—	—	—	5,000	—	5,000
Finance lease liabilities	5	11	16	32	14	—	78
	696	422	16	32	5,014	—	6,180

Notes to the consolidated financial statements (continued)

23. Post-balance sheet events

On 21 October 2019, the Group acquired the entire share capital of CloudCoCo Limited ("CloudCoCo"). CloudCoCo is a cloud, IT hardware, and IT services company that commenced trading in 2018 and has seen impressive growth in that short period. The consideration for the acquisition was satisfied through the issue of 218,160,586 ordinary shares in the Company which represents approximately 49.0% of the enlarged share capital. The shares were issued at the mid-market closing price of 3.3 pence, representing a total value of £7.2 million at completion.

Whilst it is too early to accurately assess the fair value of the assets and liabilities acquired prior to the production of this report, on 21 October 2019, CloudCoCo had cash balances of £157,000 and had signed a number of recurring customer contracts generating unaudited revenue of over £1 million per annum. CloudCoCo has a very strong and experienced sales and business development team which had already shown its ability to win new business using its agile sales methodology. On 21 October 2019, following the acquisition, Andy Mills, former Chairman of CloudCoCo, joined the Board as Chief Executive Officer, focussing on driving the growth of the enlarged Group. Mark Halpin (founder and former Chief Executive Officer of CloudCoCo) is leading the Group's business development activities.

On completion of the acquisition, £1.5 million of the loan notes were waived and cancelled by BGF, reducing the Company's liability to £3.5 million. MXC Guernsey Limited, a wholly owned subsidiary of MXC Capital Limited ("MXC"), which now holds 15.2% of the shares in the Company, purchased the remaining £3.5 million loan notes from BGF and restructured their terms. The loan notes now carry a coupon of 12% compound per annum, rolled up and payable only at the end of the term. The term of the loan notes has been extended to October 2024 with no repayment due until that date unless the Company chooses to repay early. At the same time, MXC extended a £0.5 million, 2 year, working capital facility to the Company with interest charged at a rate of 12% per annum on amounts drawn down.

As part of the refinancing package, MXC also cancelled the warrants it held over 5% of the then issued and to be issued share capital of Adept4 and BGF's options were repriced to 0.35 pence. BGF exercised all of its options in October 2019 and, as MXC no longer holds warrants in the Company, the only obligations over the Company's shares are in respect of outstanding staff share options.

On 29 November 2019, the Company's name was changed to CloudCoCo Group plc.

The website address, at which information required pursuant to AIM Rule 26 is available, was changed with effect from 2 December 2019, to www.cloudcoco.co.uk.

24. Ultimate controlling party

There is no ultimate controlling party.

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') for the year ended 30 September 2019 which comprise the Statement of Financial Position (parent company), the Statement of Changes in Equity (parent company) and the notes to the financial statements (parent company), 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 FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 September 2019;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 Auditor's responsibilities for the audit of the parent company financial statements section of our report. We are independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities 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.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the parent company's financial statements is not appropriate; or
- the Directors have not disclosed in the parent company financial statements any identified material uncertainties that may cast significant doubt about the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the parent company financial statements are authorised for issue.

Key audit matters
We identified the key audit matters described below as those which were of most significance in the audit of the parent company financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the parent company financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Going Concern
The parent company recorded net liabilities of £0.3m at 30 September 2019 and is dependent on the Group's subsidiaries to generate cashflow to fund its own expenses. The procedures undertaken to address the key audit matters relating to Going Concern set out in the Group audit report on page 19 are therefore also applicable to this parent company audit report. A further key audit matter for the parent company is set out in the following table.

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

Key audit matter	Description of risk	How the matter was addressed in the audit with respect to that risk
Carrying value of amounts owed by subsidiary undertakings (See Note 5)	The Group recorded losses in the year of £5.15m. The parent company has significant receivable balances due from Group companies. The assessment of the recoverability of these balances requires significant judgement.	We reviewed management's assessment of the recoverability of receivables due from Group companies. As part of our procedures we: • examined management's assessment as to whether indicators of impairment have been identified and appropriately evaluated; • challenged the discounted cash flow model also used in the Group audit to support the carrying values of intangibles and goodwill, including the appropriateness of the assumptions used in the forecasts such as projected growth, future capital expenditure, cash flows, cost projections, central overhead allocation and the discount rate; • test checked arithmetic formulae within the model; • compared management's historical forecasting accuracy by comparing the previous years' forecasts to the actual outturn; and • performed sensitivity analyses of the key assumptions used by management and assessed the adequacy of management's disclosures of sensitivity and key risks inherent in the calculation.

Materiality
The materiality for the parent company financial statements as a whole was set at £108,750. This has been determined with reference to the benchmark of the parent company's total assets, which we consider to be an appropriate measure as the parent company exists only as a holding company for the Group and carries on no trade in its own right. Materiality represents 1% of total assets as presented on the face of the parent company's Statement of Financial Position.

An overview of the scope of our audit
The parent company was subject to a full scope audit.

Other information
The other information comprises the information included in the annual report, other than the Group and parent company financial statements and our auditor's reports thereon. The Directors are responsible for the other information. Our opinion on the parent company 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.

In connection with our audit of the parent company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent company financial statements or our knowledge obtained in 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 there is a material misstatement in the parent company financial statements or a material misstatement of the other information. 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.

Opinion 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 parent company financial statements are prepared is consistent with the parent company 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 parent company and the 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 where 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 Statement of Directors' responsibilities set out on page 18, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Directors determine is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, the Directors are responsible for assessing 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the parent company's financial statements
Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company financial statements.

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

Other matter
We have reported separately on the Group financial statements of CloudCoCo Group plc for the year ended 30 September 2019.

Use of our report
This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Bond
Senior Statutory Auditor,
for and on behalf of Nexia Smith & Williamson
Statutory Auditor, Chartered Accountants
25 Moorgate London EC2R 6AY
14 February 2020

Statement of financial position (parent company)

as at 30 September 2019

	Note	**30 September 2019 £'000**	30 September 2018 £'000
Fixed assets			
Intangible assets	3	**13**	33
Fixed asset investments	4	**1**	1
Total fixed assets		**14**	34
Current assets			
Debtors	5	**4,545**	7,609
Cash at bank and in hand		**8**	1,050
Total current assets		**4,553**	8,659
Creditors: amounts falling due within one year	6	**(599)**	(571)
Net current assets		**3,954**	8,088
Total assets less current liabilities		**3,968**	8,122
Creditors: amounts falling due in more than one year	7	**(4,270)**	(4,071)
Net assets		**(302)**	4,051
Capital and reserves			
Called up share capital	9	**2,271**	2,271
Share premium account		**11,337**	11,337
Capital redemption reserve	9	**6,489**	6,489
Merger reserve	9	**1,997**	1,997
Other reserve	10	**1,720**	1,649
Retained earnings		**(24,116)**	(19,692)
Shareholders' funds		**(302)**	4,051

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 was £4,424,000 (2018: £1,436,000).

Approved by the Board and authorised for issue on 14th February 2020.

Michael Lacey
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 2019

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2017	2,271	11,337	6,489	1,997	1,601	(18,256)	5,439
Loss and total comprehensive loss for the period	—	—	—	—	—	(1,436)	(1,436)
Transactions with owners							
Share-based payments	—	—	—	—	48	—	48
Total transactions with owners	—	—	—	—	48	—	48
Total movements	—	—	—	—	48	(1,436)	(1,388)
Equity at 30 September 2018	**2,271**	**11,337**	**6,489**	**1,997**	**1,649**	**(19,692)**	**4,051**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2018	**2,271**	**11,337**	**6,489**	**1,997**	**1,649**	**(19,692)**	**4,051**
Loss and total comprehensive loss for the period	—	—	—	—	—	(4,424)	(4,424)
Transactions with owners							
Share-based payments	—	—	—	—	71	—	71
Total transactions with owners	—	—	—	—	71	—	71
Total movements	—	—	—	—	71	(4,424)	(4,353)
Equity at 30 September 2019	**2,271**	**11,337**	**6,489**	**1,997**	**1,720**	**(24,116)**	**(302)**

The accompanying accounting policies and notes 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 102 – The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland (FRS 102), and with the Companies Act 2006.

After reviewing the budgets and cash projections for the next twelve months and beyond the Directors believe that the Group and Company have adequate resources to continue operations for the foreseeable future and for this reason they have adopted a going concern basis when 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 Intangible fixed assets

Intangible fixed assets, comprising the cost of the Company and Group website, is valued at cost less amortisation. Amortisation is provided at rates calculated to write off the cost over its estimated useful life, estimated to be three years.

1.4 Investments

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

1.5 Pensions

The Company does not currently offer a pension scheme for the benefit of its employees.

1.6 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the reporting date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the accounts.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.7 Share-based remuneration

The Company issues equity-settled share-based payments to certain employees. The fair value of the shares granted is recharged to the Company's subsidiaries and is 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 102.

1.8 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period.

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 £4.8m is recorded in the Company's Balance Sheet, of which £4.7m relates to amounts owed by subsidiary undertakings after impairment. A full line-by-line review of the debtors is carried out at the end of each period. Whilst every attempt is made to ensure that the bad debt 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.

1.9 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. All interest-related charges are recognised as an expense in "finance costs" in the Income Statement. Loan Notes are raised for support of long-term funding of the Company's operations. The financial liability arising on the Loan Notes is carried at fair value.

Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the Company's 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.

Notes to the parent company financial statements (continued)

2. Auditor remuneration

Fees payable to the Company's Auditor for the audit of the parent company's annual accounts were £22,000 (2018: £20,000).

3. Intangible fixed assets

	£'000
Cost	
At 1 October 2017 and 1 October 2018	60
Additions during the year	—
At 30 September 2019	**60**
Depreciation	
At 1 October 2017	7
Charge for the year	20
At 30 September 2018	**27**
Charge for the year	20
At 30 September 2018	**47**
Net book value	
At 30 September 2019	**13**
At 30 September 2018	33

4. Fixed asset investments

	£'000
Cost and net book value	
At 1 October 2018 and 30 September 2019	**1**

At 30 September 2019 the Company had two subsidiary undertakings.

Company	Country of registration or incorporation	Class of shares held	%
Subsidiary undertakings			
CloudCoCo Holdings Limited (formerly Adept4 Holdings Limited)	Scotland	Ordinary	100
CloudCoCo Cloud Services Limited (formerly Adept4 Cloud Services Limited)	England and Wales	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 assets £'000	Loss for the year £'000
CloudCoCo Holdings Limited (formerly Adept4 Holdings Limited)	Intermediate holding company	(6,958,014)	(491)
CloudCoCo Cloud Services Limited (formerly Adept4 Cloud Services Limited)	Dormant	1,000	—

The complete list of subsidiaries of CloudCoCo Holdings Limited (formerly Adept4 Holdings Limited) is disclosed in Note 10 to the Group accounts.

5. Debtors

	2019 £'000	2018 £'000
Amounts owed by subsidiary undertakings after impairment	**4,497**	6,910
Prepayments and accrued income	**31**	641
Other taxes and social security costs	**17**	58
	4,545	7,609

6. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	**356**	347
Other taxes and social security costs	**2**	4
Accruals and deferred income	**241**	220
	599	571

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

	2019 £'000	2018 £'000
Loan notes repayable to the BGF between three and seven years	**5,000**	5,000
Less fair value adjustment relating to the BGF loan notes	**(730)**	(929)
	4,270	4,071

7.1 Financial instrument

On 26 May 2016, the Company issued £5m unsecured loan notes ("Loan Notes") to the BGF with a seven-year term (although redemption is permissible from the third anniversary) with repayment between the fifth and seventh anniversaries in equal semi-annual repayments that carry interest at 8% per annum ("Coupon"). Assuming that the Loan Notes were held for seven years and not redeemed early, the maximum credit exposure at 30 September 2019, including interest, was £6.0m (2018: £6.4m), of which £1.0m (2018: £1.4m) relates to interest. As previously described, the Company also agreed to grant the BGF an option to subscribe for 50,000,000 Ordinary Shares of 1p at a subscription price of 6p any time before 26 May 2031. As the Loan Notes are unsecured, no collateral was offered to the BGF as security. The Loan Notes are not exposed to market interest rate increases over the term.

The Loan Notes and share warrant elements were linked and treated as a single financial instrument and shown at fair value.

The fair value of the share options at 26 May 2016 (date of grant) has been calculated using the Black Scholes pricing model incorporating the following key assumptions:

- share price volatility of 40%;
- spot price of 6p per share;
- risk-free rate of 0.9%; and
- option period, aligned with the maximum amount of time the loan can remain outstanding.

Based on the assumptions above, the Black Scholes pricing model provided a fair value for the share option of 2.89p per share, which implied a total fair value for the share option of £1.4m. Based on the expected Coupon payments and repayment profile under the Loan Notes, this implies an effective borrowing rate of 15%. This resulted in a fair value of the loan amount at 26 May 2016 of £3.6m. The difference between the Coupon rate and the effective interest charge at 15% is charged through the Income Statement over the life of the Loan Notes and increases the outstanding loan note balance over time to match actual Coupon and capital cash repayments relating to the Loan Notes.

	Loan Note balance £'000	Carrying value Loan Notes £'000	8% interest payable £'000
Cash received from the BGF on 26 May 2016 for Loan Notes at 8% per annum interest	5,000	—	—
At 30 September 2018	5,000	4,071	—
Interest on Loan Notes at 8% per annum for the year to 30 September 2019	—	—	400
Notional interest on liability element of the BGF Loan Notes to 30 September 2019	—	199	—
At 30 September 2019	**5,000**	**4,270**	**400**

8. Pension and other post-retirement benefit commitments

No contributions to Company pension schemes were made during the year (2018: £nil).

9. Share capital

9.1 Share capital

Shares issued and fully paid

	2019 £'000	2018 £'000
Beginning of year	**2,271**	2,271
Issued during year	**—**	—
Shares issued and fully paid	**2,271**	2,271

Share capital allotted, called up and fully paid

	Ordinary Shares
Ordinary shares of £0.01p each	
At 30 September 2018 and 30 September 2019	**227,065,100**

Notes to the parent company financial statements (continued)

9.2 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.

9.3 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.

10. Other reserve

The Company has an HMRC-approved EMI share option scheme as part of the remuneration of senior management. There is also an unapproved share option scheme in place which is used where the individuals 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.

	2019 Number	**2019 Weighted average exercise price**	2018 Number	2018 Weighted average exercise price
Outstanding at 1 October	**9,849,358**	**6.08p**	15,597,691	6.82p
Granted	**—**	**—**	—	—
Lapsed	**(1,301,666)**	**11.73p**	(5,748,333)	8.09p
Outstanding at 30 September	**8,547,692**	**5.22p**	9,849,358	6.08p

During the year, no options were granted (2018: nil) and 1,301,666 share options lapsed in accordance with the share issue documents. At 30 September 2019, Adept4 plc had granted the following outstanding share options:

Date granted	**Balance 2019**	Movement during the year	Balance 2018	Exercise price	Dates exercisable	Remaining contractual life (months)
9 July 2009	**166,666**	(166,666)	—	30.00p	9 July 2011–9 July 2019	—
25 March 2015	**207,692**	—	207,692	—	25 March 2018–25 March 2025	66
28 September 2016	**4,540,000**	(1,135,000)	5,675,000	9.00p	28 September 2019–28 September 2026	84
31 March 2017	**3,800,000**	—	3,800,000	1.00p	1 April 2022–31 March 2027	90
Total	**8,547,692**	(1,301,666)	9,849,358	5.22p		

In total £71,000 of share-based expense has been included in the Company Income Statement for 2019 (2018: expense of £46,000).

	2019 £'000	2018 £'000
Share options	16	(7)
Share warrants	55	55
Total	71	48

10.1 Share warrant instrument

In consideration of the issue of £5m Loan Notes on 26 May 2016 by the Business Growth Fund (BGF), the BGF were granted an option to subscribe for 50,000,000 Ordinary Shares of 1p each in the capital of the Company at a price of 6p per Ordinary Share. The option can be exercised any time before 26 May 2031. The fair value of these options is linked to the treatment of the Loan Notes and valued in accordance with Notes 7 and 10.

In consideration of its agreement to partially underwrite the placing of £0.86m on 14 May 2015, MXC was granted warrants over 5% of the share capital of the Group. The warrant instrument provides that the number of warrants created under the terms of this instrument shall at all times be equal to 5% of the issued share capital of the Company. This figure of 5% will be reduced pro rata by any allotment and issue of new Ordinary Shares pursuant to any partial exercise of warrants during the seven-year exercise period.

The warrants were exercisable at the price of 6.50p and shall be exercisable over a seven-year period from 28 April 2015 on the following terms:

(i) the warrants vest a third per annum over the first three years; and

(ii) 50% of the warrants that vest in any year (one-third of the total) become exercisable immediately and the remaining 50% of the warrants only become exercisable subject to a 12% per annum compound growth in the Company's share price above 6.50p.

Notes to the parent company financial statements (continued)

10.1 Share warrant instrument (continued)

Certain provisions were contained in the warrant instrument to provide for the entire award being exercisable on a takeover of the Company.

The BGF options were restructured and the MXC warrants were cancelled as part of the refinancing following the acquisition of CloudCoCo Limited on 21 October 2019. Further details are given in note 13.

Date granted	**Balance 2019**	Movement during the year	Balance 2018	Exercise price	Dates exercisable	Remaining contractual life (months)
28 April 2015	**13,853,255**	—	13,853,255	6.50p	28 April 2018–28 April 2022	31
26 May 2016	**50,000,000**	—	50,000,000	6.00p	26 May 2016–26 May 2031	140
Total	**63,853,255**	—	63,853,255	6.11p		

11. 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 14 and 15.

Jill Collighan, a Director of the Company, is an employee of the MXC Capital Limited group ("MXC"). MXC currently has a 15.2.% holding in the shares of the Company and also holds share warrants, as disclosed in Note 10.1, and is considered to have a significant influence over the Company. 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.

Fees invoiced by MXC include £72,000 for Jill Collighan's services as an Executive Director, included as directors' emoluments. Additionally, corporate finance advisory and transaction services were purchased from MXC as financial adviser to the Company. The Company purchased services totalling £102,000 (2018: £70,000) from MXC and at 30 September 2019 owed £129,000 to MXC (2018: £21,000).

12. Employee costs
The average number of staff employed by the Company during the year was 3 (2018: 3). These were all Directors. The costs for the year were £147,000 (2018: £160,000).

13. Post-balance sheet events
On 21 October 2019, the Company acquired the entire share capital of CloudCoCo Limited ("CloudCoCo"). CloudCoCo is a cloud, IT hardware, and IT services company that commenced trading in 2018 and has seen impressive growth in that short period. The consideration for the acquisition was satisfied through the issue of 218,160,586 ordinary shares in the Company which represents approximately 49.0% of the enlarged share capital. The shares were issued at the mid-market closing price of 3.3 pence, representing a total value of £7.2 million at completion.

Whilst it is too early to accurately assess the fair value of the assets and liabilities acquired prior to the production of this report, on 21 October 2019, CloudCoCo had cash balances of £157,000 and had signed a number of recurring customer contracts generating unaudited revenue of over £1m per annum. CloudCoCo has a very strong and experienced sales and business development team which had already shown its ability to win new business using its agile sales methodology. On 21 October 2019, following the acquisition, Andy Mills, former Chairman of CloudCoCo, has joined the Board as Chief Executive Officer, focussing on driving the growth of the enlarged Group. Mark Halpin (founder and former Chief Executive Officer of CloudCoCo) is leading the Group's business development activities.

On completion of the acquisition, £1.5 million of the loan notes were waived and cancelled by BGF, reducing the Company's liability to £3.5 million. MXC Guernsey Limited, a wholly owned subsidiary of MXC Capital Limited ("MXC"), who now hold 15.2% of the shares in the Company, purchased the remaining £3.5 million loan notes from BGF and restructured their terms. The loan notes now carry a coupon of 12% compound per annum, rolled up and payable only at the end of the term. The term of the loan notes has been extended to October 2024 with no repayment due until that date unless the Company chooses to repay early. At the same time, MXC extended a £0.5 million, 2 year, working capital facility to the Company with interest charged at a rate of 12% per annum on amounts drawn down.

As part of the refinancing package, MXC also cancelled the warrants it held over 5% of the issued and future share capital of Adept4 and BGF's options were repriced to 0.35 pence. BGF exercised all of its options in October 2019 and, as MXC no longer holds warrants in the Company, the only obligations over the Company's shares are in respect of outstanding staff share options.

On 29 November 2019, the Company's name was changed to CloudCoCo Group plc.

The website address, at which information required pursuant to AIM Rule 26 is available, was changed with effect from 2 December 2019, to www.cloudcoco.co.uk.

Directors, Secretary and advisers

Directors

Andy Mills
Chief Executive Officer

Mike Lacey
Chief Financial Officer

Simon Duckworth OBE DL
Non-Executive Chairman

Dr Tom Black
Non-Executive Director

Jill Collighan
Non-Executive Director

Company Secretary

Darron Giddens

Company number

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Registered office

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Nominated adviser and broker

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EC2A 2AX

Solicitors

DAC Beachcroft LLP
25 Walbrook
London
EC4N 8AF

CloudCoCo is a people-led business first and foremost. With a skilled team of Microsoft, cloud, telephony, hardware, security, support and connectivity experts we unlock business optimisation and transformation, cost savings, streamlined workflows and innovative solutions to business problems for clients of all sizes.

The Group's knowledge, gained through employees with multiple years of industry experience, helps our customers create a competitive edge, by providing IT solutions that understand and support our customers business activities. We have a burning passion to delight people with every aspect of our service and provide the alternative to the archaic managed IT services models.

We also champion putting the power back into the hands of customers, offering easy-to-use self-service options.

CloudCoCo seeks to be highly responsive and provide customers with modern and innovative solutions to achieve their sought outcomes, achieved through collaborative partnerships with an ecosystem of solution and service providers, distributors and vendors. Our 24/7 UK response team, together with our strategic consulting and professional services team, provide exactly what businesses need from IT at any given time.

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