The information contained within this announcement is deemed by CloudCoCo to constitute inside information pursuant to Article 7 of EU Regulation 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended.

29 June 2023

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

Interim Results

Solid trading performance and strong operational delivery

CloudCoCo (AIM: CLCO), a leading UK provider of Managed IT services and communications solutions to private and public sector organisations, is pleased announce its interim results for the six months ended 31 March 2023 ("H1 2023").

Financial highlights:

- Revenue increased by 11% to £12.9 million (H1 2022: £11.6 million), of which 70% was generated from recurring contracts (H1 2022: 70%)
- Gross profit increased by 13% to £4.3 million (H1 2022: £3.8 million[1]), a margin of 34% (2022: 33%)
- Trading Group EBITDA[2] increased by 70% to £0.9 million (H1 2022: £0.53 million[1])
- E-commerce revenues from MoreCoCo increased 78% to £1.6 million (H1 2022: £0.9 million)
- Cash at bank of £1.28 million at 31 March 2023 (H1 2022: £1.31 million)

Operational highlights:

- Increased investment into the Group's sales and marketing functions
- 27 new "logo" customers added in the half (H1 2022: 21), representing 70% of the number signed in the whole of FY 2022, and growing pipeline
- New multi-year customer wins including Gepp Solicitors, Jensten Group and Marylebone Cricket Club
- Launch of Multi-Cloud offering, enabling the Group to attract larger, more complex organisations
- Key senior leadership appointments across the Group including new Head of Multi-Cloud
- New strategic partnerships signed post-period with Abstract Tech and Ingram Micro to enhance the Group's capabilities and create new revenue opportunities

- Continued focus on saving costs and increasing efficiency, with considerable progress achieved in rationalising the Group's suppliers

- Improved customer satisfaction levels, aided by the unification of our customer support operations across the Group into a single team

[1] subsequent to the publication of the unaudited H1 2022 interim results, the accounting treatment for our onerous contracts and data centre leases was assessed against the detailed criteria of IFRS 16. This resulted in a reclassification of certain expense items previously shown as costs of sales in the unaudited interim results for H1 2022 as depreciation. The impact of the reclassification on Trading Group EBITDA[2] for H1 2022 is shown on the face of the Income Statement.

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

Mark Halpin, CEO of CloudCoCo, commented:

"We have delivered a solid H1 performance, winning new logo customers and building our new business pipeline at a healthy rate despite the challenges posed to organisations across the UK by the economic backdrop. Our confidence in reaching our long-term growth ambitions is underlined by the operational headway achieved during the period. We have invested in expanding and optimising our teams, including a significant elevation of talent across the Group through a number of important hires in key strategic areas.

While conscious of the prevailing economic headwinds and the impact on some of our customers, we are well placed to continue to navigate them and are confident of making continued steady strategic and commercial progress in the second half, ready to accelerate when conditions permit. Alongside this, we continue to actively explore opportunities to complement organic growth through selective acquisitions. We are assessing our options to fund such acquisitions and also to refinance our existing debt."

Contacts:

CloudCoCo Group plc Mark Halpin (CEO) Darron Giddens (CFO)	Via Alma PR
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About CloudCoCo

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

CloudCoCo has headquarters in Leeds and regional offices in Warrington, Sheffield and Bournemouth.
www.cloudcoco.co.uk

CHIEF EXECUTIVE'S REVIEW

Overview

Trading during the first half has been resilient, with growth across both Managed IT Services and Value Added Resale (VAR). While a handful of our customers responded to the increased cost of power and ongoing economic headwinds by scaling back business with us, this was more than offset by several lucrative new agreements made possible by the enhanced breadth of our offering.

Now that the acquisitions in the prior year have been fully integrated, we have established a solid platform to drive organic growth. A key focus in the current financial year has been to bolster our sales functions and reorganise our teams to ensure a cohesive, unified approach across the Group. To this end we made several key appointments across the four pillars of our strategy (Connect, Multi-Cloud, Cyber and Collaboration) and are excited about the value they will bring.

As previously announced, we are actively exploring strategic partnerships to help us reach our growth ambitions faster. Post-period, we signed agreements with Ingram Micro, the world's largest global business-to-business wholesale provider of technology products and supply chain management services, and digital transformation services provider Abstract Tech. These low-cost, mutually beneficial partnerships allow us to punch above our weight in Multi-Cloud (the utilisation of Azure, AWS and Google Cloud platforms), an increasingly important requirement when pursuing larger and more complex Managed Services contracts. These partnerships open up a range of potential new revenue opportunities.

Alongside our commercial efforts, we have maintained our focus on removing unwanted costs and increasing efficiencies. To date, we have successfully reduced the number of suppliers across the Group in a meaningful way, leading to significant annualised savings, and expect to make further progress in the second half.

Looking ahead, whilst the challenging economic backdrop is likely to persist, we remain on course to deliver a year of solid progress characterised by healthy commercial and operational delivery. As conditions improve, the steps we are taking now to enhance and optimise the Group will leave us well-positioned to accelerate organic growth. M&A activity remains a focus and we will continue to appraise potential acquisitions, only proceeding with those we feel are a good strategic fit and available at the right price.

Results

Revenues for H1 2023 represent an 11% increase on H1 2022 at £12.9 million (H1 2022: £11.6 million), with gross profit up 13% to £4.3 million (H1 2022: £3.8 million). Trading Group EBITDA[1] increased by 70% to £901k (H1 2022: £531k). New sales orders generated by our sales team for H1 2023 amounted to total contract value ("TCV") of £6.4 million, which despite being down against the record value of £9.7 million recorded in H1 2022, were up 7% against the H2 2022 value of £6.0 million reflecting the improvement in the underlying sales performance. TCV measures the total revenue that we expect to generate from new customer contracts signed in the period over their contractual term.

The Group continues to prioritise larger, multi-year agreements. Key recurring contracts signed in the period include contracts with Tquila Automation Limited and Amedeo Services (UK) Limited enhanced by our Multi-Cloud capability.

	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 30 September 2022 £'000	Unaudited 6 months to 31 March 2022 £'000	Audited Year to 30 September 2022 £'000
By operating segment				
Managed IT Services	**9,077**	8,474	8,582	17,056
Valued Added Resale	**3,846**	4,075	3,062	7,137
Total revenue	**12,923**	12,549	11,644	24,193

Reflecting the process of reducing the liabilities inherited from the acquisitions made in 2021, our cash reduced by £0.2 million to £1.3 million at 31 March 2023 (September 2022: £1.5 million).

Review of the period

The Group made significant operational strides in the first half and post-period, with a view to accelerating organic growth prospects, ensuring excellent levels of customer service and reducing costs.

Solid commercial progress against a challenging backdrop

Despite the economic challenges facing the UK business community, we are winning new logo customers at a healthy rate. In H1 2023 we signed 27 new logo customers compared to 39 in the whole of FY 2022, many of which we expect to continue to support revenue growth for years to come. New logo customer wins in H1 2023 include Gepp Solicitors, Jensten Group and Marylebone Cricket Club.

A key factor in this performance has been the investments into and the reorganisation of our sales and marketing arms during latter part of FY 2022. Programmes such as Project IGNITE have assisted, and we continue to benefit from the increased scale and capabilities derived from the acquisitions. The activity of our telemarketing teams has increased substantially in H1 2023, and we expect recent initiatives to deliver further commercial benefits over time.

Our sales academy, launched in July 2022, continues to provide the Group with a promising pool of talent. Members of the academy have already made significant contributions to new business and, now with a proven blueprint for how to onboard new colleagues and nurture them to a high standard, we have plans to expand the academy further in the next financial year.

We are observing a number of green shoot opportunities for cross-selling across the customers of our acquired businesses, particularly in selling Managed IT Services to customers who have traditionally purchased data centre services and connectivity from us. With our customers currently utilising only two of our 12 key product areas on average, there is a scope to expand the range of products we deliver to our existing customers alongside capturing new business.

Following the launch of the new MoreCoCo website in FY 2022 as our e-commerce business, we have seen an increase in sales from B2B customers as well as consumers, enabled by the implementation of several measures both to bring more visitors to the site and increase conversion ratios. As a result, we have seen e-commerce revenues from MoreCoCo increase from £0.9 million in H1 2022 to £1.6 million in H1 2023.

Our post-period partnership with a global leader in the purchase, restoration and sale of refurbished IT hardware, announced in April 2023, will further support the growth of this business line through the supply of more than 15,000 products, while also improving our sustainability credentials.

Advances made in creating a leaner and more efficient Group

As reported at our FY 2022 results, following the acquisition, integration and turnaround of the Group's Connect business, we have embarked on a line-by-line process of reviewing customer profitability at a granular level. This has resulted in us exiting certain low-margin contracts and rationalising our spend with suppliers with a view to achieving substantial cost savings. We have continued this process during the period with excellent results and expect to see the benefits filter through in H2 2023 and beyond.

We have also made progress with respect to the previously reported onerous contract inherited from our acquisition of CloudCoCo Connect, having strengthened our relationship with the supplier involved.
Beyond Connect, we remain focused on driving efficiencies across the Group to strengthen our financial position and improve liquidity.

Growing momentum in Multi-Cloud

The launch of a dedicated Multi-Cloud practice is an important step for the business. One of the pre-eminent trends in IT, it enables the Group to attract a range of larger, more complex organisations. To support our expansion in Multi-Cloud, in April 2023, we announced the appointment of Lee Thatcher to head up the division, bringing a deep experience of Cloud to CloudCoCo developed over nearly 20 years in technology positions.

In April 2023, we announced a partnership with Abstract Tech, a Leeds-based consultancy which specialises in the delivery of large scale, digital transformation projects. This partnership provides CloudCoCo with the talent and expertise of Abstract's 150 technicians, enabling the Group to take on a broader range of Multi-Cloud projects. Alongside this, the Group also announced the signing of a partnership post-period with Ingram Micro, the world's largest global business-to-business wholesale provider of technology products and supply chain management services, for the supply of Microsoft Azure and other cloud services. Through this partnership, CloudCoCo's Multi-Cloud practice will leverage Ingram's hundreds of in-built Cloud providers through a simplified single portal.

Enhancements to customer support producing good results

We remain focused on making every interaction our customers have with us a delight and, reflecting this, our current customer satisfaction levels are exceptional. These have been enhanced by a change to our customer service structure in H1 2023, which unified our technical support operations, as well as investments into new talent. As a result, we are pleased to report customer satisfaction levels in excess of 97.5% for June 2023.

To further improve the experience of customers, the Group is exploring ways to use artificial intelligence in our business operations. Enabled by our partnership with Abstract Tech, these capabilities will aid our customer support teams as well as customers who approach us through our website.

Acquisition of senior talent to drive the business forwards

During the period we have added more skills and experience as well as focusing on the development of our existing talent. Alongside the key hire of Lee Thatcher in our Multi-Cloud division, we have also made key hires across areas of the business including cybersecurity, sales, new business, and technical support. These hires complement the existing talent across our teams and will help shape the direction of the Group as we continue to grow.

Expectation of continued, steady progress in the second half

The Group's trading in H2 2023 to date has been encouraging. While wider economic headwinds persist and will continue to be a factor in the decisions of customers, we will continue to navigate them and our pipeline continues to grow.

As the second half develops, we expect to see the benefits of our investments into sales and marketing begin to increase. We are maintaining our focus on driving cost savings and efficiencies and expect to see the results of the hard work carried out in the first half have a positive impact on the bottom line at the full year. To help us reach our goals faster, we are continuing to assess opportunities to acquire complementary businesses we feel are a good strategic fit. We are assessing our options to fund such acquisitions and also to refinance our existing debt.

Despite the challenging current trading environment, with favourable long-term market trends continuing, we are confident in our ability to meet our long-term growth ambitions. Supported by the solid foundations laid in previous years, the recent work done to make the structure of the organisation leaner and more efficient, the assembly of a team of incredibly talented and driven individuals and the addition of valuable strategic partners, the Board believes CloudCoCo is in a strong position to capitalise on its opportunities.

Mark Halpin
CEO

29 June 2023

Consolidated income statement

for the six-month period ended 31 March 2023

	Note	**Unaudited 6 months to 31 March 2023 £'000**	Unaudited 6 months to 30 Sept 2022 £'000	Unaudited 6 months to 31 March 2022 £'000	Audited Year to 30 Sept 2022 £'000
Continuing operations					
Revenue	3	**12,923**	12,549	11,644	24,193
Cost of sales		**(8,580)**	(8,424)	(7,822)	(16,246)
Gross profit		**4,343**	4,125	3,822	7,947
GP%		**34%**	**33%**	**33%**	**33%**
Administrative expenses		**(5,130)**	(4,769)	(5,015)	(9,784)
Trading Group EBITDA[1]		**901**	1,063	531	1,594
Depreciation of IFRS16 data centre right of use assets		**(400)**	(301)	(229)	(530)
Adjusted Trading Group EBITDA		**501**	762	302	1,064
Amortisation of intangible assets	6	**(643)**	(632)	(654)	(1,286)
Plc costs[2]		**(397)**	(425)	(345)	(770)
Depreciation of tangible assets and other right of use assets		**(86)**	(119)	(45)	(164)
Exceptional items	4	**(99)**	(282)	(280)	(562)
Share-based payments		**(63)**	52	(171)	(119)
Operating loss		**(787)**	(644)	(1,193)	(1,837)
Interest receivable		**1**	1	-	1
Interest payable		**(438)**	(433)	(339)	(772)
Loss before taxation		**(1,224)**	(1,076)	(1,532)	(2,608)
Taxation		**161**	157	164	321
Loss and total comprehensive loss for the year attributable to owners of the parent		**(1,063)**	(919)	(1,368)	(2,287)
Loss per share					
Basic and fully diluted	5	**(0.15)p**	(0.13)p	(0.19)p	(0.32)p

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

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

Subsequent to the publication of the unaudited H1 2022 interim results, the accounting treatment for our onerous contracts and data centre leases was assessed against the detailed criteria of IFRS 16. This resulted in a reclassification of certain expense items previously shown as costs of sales in the unaudited interim results for H1 2022 as depreciation. The impact of the reclassification on Trading Group EBITDA[1] for H1 2022 is shown on the face of the Income Statement.

Consolidated statement of financial position
as at 31 March 2023

	Note	**Unaudited 31 March 2023 £'000**	Unaudited 31 March 2022 £'000	Audited 30 Sept 2022 £'000
Non-current assets				
Intangible assets	6	**11,937**	13,212	12,580
Property, plant and equipment		**189**	56	128
Right of Use assets		**1,147**	648	814
Total non-current assets		**13,273**	13,916	13,522
Current assets				
Inventories		**100**	223	165
Trade and other receivables	7	**5,025**	4,852	4,766
Contract assets	8	**740**	586	558
Cash and cash equivalents		**1,275**	1,312	1,516
Total current assets		**7,140**	6,973	7,005
Total assets		**20,413**	20,889	20,527
Current liabilities				
Trade and other payables	9	**(7,406)**	(6,440)	(6,890)
Contract liabilities		**(1,767)**	(2,303)	(1,891)
Provision for onerous contracts		**(148)**	(154)	(148)
Borrowings	10	**(69)**	(69)	(69)
Lease liability		**(676)**	(601)	(733)
Total current liabilities		**(10,066)**	(9,567)	(9,731)
Non-current liabilities				
Contract liabilities		**(542)**	(178)	(601)
Provision for onerous contracts		**(850)**	(989)	(927)
Borrowings	10	**(5,112)**	(4,400)	(4,723)
Lease liability		**(570)**	(252)	(112)
Deferred tax liability		**(1,266)**	(1,525)	(1,426)
Total non-current liabilities		**(8,340)**	(7,344)	(7,789)
Total liabilities		**(18,406)**	(16,911)	(17,520)
Net assets		**2,007**	3,978	3,007
Equity				
Share capital		**7,062**	7,062	7,062
Share premium account		**17,630**	17,630	17,630
Capital redemption reserve		**6,489**	6,489	6,489
Merger reserve		**1,997**	1,997	1,997
Other reserve		**521**	510	458
Retained earnings		**(31,692)**	(29,710)	(30,629)
Total equity		**2,007**	3,978	3,007

Consolidated statement of changes in equity

for the six-month period ended 31 March 2023

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2021	**7,062**	**17,630**	**6,489**	**1,997**	**339**	**(28,342)**	**5,175**
Loss and total comprehensive loss for the period	—	—	—	—	—	(1,368)	(1,368)
Share-based payments	—	—	—	—	171	—	171
Total movements	—	—	—	—	171	(1,368)	(1,197)
Equity at 31 March 2022	**7,062**	**17,630**	**6,489**	**1,997**	**510**	**(29,710)**	**3,978**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2022	**7,062**	**17,630**	**6,489**	**1,997**	**510**	**(29,710)**	**3,978**
Loss and total comprehensive loss for the period	—	—	—	—	—	(919)	(919)
Share-based payments	—	—	—	—	(52)	—	(52)
Total movements	—	—	—	—	(52)	(919)	(971)
Equity at 30 September 2022	**7,062**	**17,630**	**6,489**	**1,997**	**458**	**(30,629)**	**3,007**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2022	**7,062**	**17,630**	**6,489**	**1,997**	**458**	**(30,629)**	**3,007**
Loss and total comprehensive loss for the period	—	—	—	—	—	(1,063)	(1,063)
Share-based payments	—	—	—	—	63	—	63
Total movements	—	—	—	—	63	(1,063)	(1,000)
Equity at 31 March 2023	**7,062**	**17,630**	**6,489**	**1,997**	**521**	**(31,692)**	**2,007**

Consolidated statement of cash flows

for the six-month period ended 31 March 2023

	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 30 Sept 2022 £'000	Unaudited 6 months to 31 March 2022 £'000	Audited Year to 30 Sept 2022 £'000
Cash flows from operating activities				
Loss before taxation	**(1,224)**	(1,076)	(1,532)	(2,608)
Adjustments for:				
Depreciation – IFRS16 data centre right of use assets	**400**	301	229	530
Depreciation – owned assets	**33**	21	29	50
Depreciation – right of use assets	**53**	98	16	114
Amortisation	**643**	632	654	1,286
Share-based payments	**63**	(52)	171	119
Net finance expense	**437**	432	339	771
Costs relating to acquisitions[1]	**—**	—	58	58
Movements in provisions	**(76)**	(153)	—	(153)
Increase in trade and other receivables	**(441)**	(44)	(1,020)	(1,064)
Decrease / (increase) in inventories	**65**	58	(137)	(79)
Increase in trade payables, accruals and contract liabilities	**373**	703	1,311	2,014
Net cash inflow from operating activities before acquisition costs	**326**	920	118	1,038
Costs relating to acquisitions[1]	**—**	—	(58)	(58)
Net cash inflow from operating activities	**326**	920	60	980
Cash flows from investing activities				
Purchase of property, plant and equipment	**(94)**	(99)	(16)	(115)
Acquisitions net of cash acquired[1]	**—**	—	497	497
Payment of deferred consideration relating to acquisitions	**(25)**	(25)	(155)	(180)
Interest received	**—**	—	—	—
Net cash (outflow) / inflow from investing activities	**(119)**	(124)	326	202
Cash flows from financing activities				
Repayment of COVID-19 bounce-back loan	**(10)**	(9)	(9)	(18)
Payment of lease liabilities	**(418)**	(566)	(247)	(813)
Interest paid	**(20)**	(17)	(1)	(18)
Net cash outflow from financing activities	**(448)**	(592)	(257)	(849)
Net (decrease) / increase in cash	**(241)**	204	129	333
Cash at bank and in hand at beginning of period	**1,516**	1,312	1,183	1,183
Cash at bank and in hand at end of period	**1,275**	1,516	1,312	1,516
Comprising:				
Cash at bank and in hand	**1,275**	1,516	1,312	1,516

[1] Relates to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) and Nimoveri Limited in October 2021.

Notes to the consolidated interim financial statements

1. General information
CloudCoCo Group plc (the "Group") is a public limited company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is 5 Fleet Place, London, EC4M 7RD. The principal activity of the Group is the provision of IT Services to small and medium-sized enterprises in the UK. The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which each of the Group's subsidiaries operates.

2. Basis of Preparation

2.1 Accounting Policies

The accounting policies used in the presentation of the unaudited consolidated interim financial statements for the six months ended 31 March 2023 are in accordance with applicable International Financial Reporting Standards (IFRSs) as applied in accordance with provisions of the Companies Act 2006. The principal accounting policies of the Group have been consistently applied to all periods presented unless otherwise stated.

2.2 Going concern

The Directors have prepared the financial statements on a going concern basis which assumes that the Group will continue to meet liabilities as they fall due.

The Directors have reviewed the forecast sales growth, budgets and cash projections for the period to 30 June 2024, including sensitivity analysis on the key assumptions such as the potential impact of reduced sales or slower cash receipts for the next twelve months and the Directors have reasonable expectations that the Group and the Company have adequate resources to continue operations for the period of at least one year from the date of approval of these unaudited interim financial statements.

The Directors have not identified any material uncertainties that may cast doubt over the ability of the Group and Company to continue as a going concern and the Directors continue to adopt the going concern basis in preparing these unaudited interim financial statements.

3. Segment reporting

The executive directors of the Company and its subsidiaries review the Group's internal reporting in order to assess performance and to allocate resources. Profit performance is principally assessed through adjusted profit measures consistent with those disclosed in the Annual Report and Accounts. The Board believes that the Group comprises a single reporting segment, being the provision of IT managed services to customers. Whilst the Directors review the revenue streams and related gross profits of two categories separately (Managed IT Services and Value added resale), the operating costs and operating asset base used to derive these revenue streams are the same for both categories and are presented as such in the Group's internal reporting.

The segmental analysis below is shown at a revenue level in line with the internal assessment based on the following reportable operating categories:

Managed IT Services	–	This category comprises the provision of recurring IT services which either have an ongoing billing and support element or utilise the technical expertise of our people.
Value added resale	–	This category comprises the resale of one-time solutions (hardware and software) from our leading technology partners, including revenues from the MoreCoCo e-commerce platform.

No customer accounts for more than 10% of external revenues in any reported period.

3.1 Analysis of continuing results

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

	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 30 September 2022 £'000	Unaudited 6 months to 31 March 2022 £'000	Audited Year to 30 September 2022 £'000
By operating segment				
Managed IT Services	**9,077**	8,474	8,582	17,056
Valued Added Resale	**3,846**	4,075	3,062	7,137
Total revenue	**12,923**	12,549	11,644	24,193

4. Exceptional Items

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

	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 30 September 2022 £'000	Unaudited 6 months to 31 March 2022 £'000	Audited Year to 30 September 2022 £'000
Costs relating to acquisitions[1]	—	—	(58)	(58)
Dilapidations costs	**(13)**	(46)	—	(46)
Run-off costs relating to discontinued data centre services	**(36)**	(69)	(69)	(138)
Integration and restructure costs	**(50)**	(167)	(153)	(320)
Exceptional items	**(99)**	(282)	(280)	(562)

[1] Relates to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) and Nimoveri Limited in October 2021.

5. Loss per share

	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 30 September 2022 £'000	Unaudited 6 months to 31 March 2022 £'000	Audited Year to 30 September 2022 £'000
Loss attributable to ordinary shareholders	**(1,063)**	(919)	(1,368)	(2,287)
	Number	**Number**	**Number**	**Number**
Weighted average number of Ordinary Shares in issue, basic and diluted	**706,215,686**	706,215,686	706,215,686	706,215,686
Basic and diluted loss per share	**(0.15)p**	(0.13)p	(0.19)p	(0.32)p

6. Intangible assets

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

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

Intangible assets	Goodwill £'000	IT, billing and website systems £'000	Brand £'000	Customer lists £'000	Total £'000
Cost					
At 1 October 2021	**10,088**	**361**	**2,127**	**9,421**	**21,997**
Additions – acquisition of CloudCoCo Connect Limited in October 2021	1,193	—	256	2,024	3,473
At 31 March 2022, 30 September 2022 and 31 March 2023	**11,281**	**361**	**2,383**	**11,445**	**25,470**
Accumulated amortisation					
At 1 October 2021	—	(184)	(1,032)	(4,523)	(5,739)
Charge for the year	—	(9)	(63)	(582)	(654)
At 31 March 2022	**—**	**(193)**	**(1,095)**	**(5,105)**	**(6,393)**
Charge for the year	—	(9)	(60)	(563)	(632)
At 30 September 2022	**—**	**(202)**	**(1,155)**	**(5,668)**	**(7,025)**
Charge for the year	—	(9)	(61)	(573)	(643)
At 31 March 2023	**—**	**(211)**	**(1,216)**	**(6,241)**	**(7,668)**
Impairment					
At 31 March 2022, 30 September 2022 and 31 March 2023	**(4,447)**	**—**	**(225)**	**(1,193)**	**(5,865)**
Carrying amount					
At 31 March 2023	**6,834**	**150**	**942**	**4,011**	**11,937**
At 30 September 2022	6,834	159	1,003	4,584	12,580
At 31 March 2022	6,834	168	1,063	5,147	13,212
Average remaining amortisation period		**8.3 years**	**7.7 years**	**3.5 years**	**4.0 years**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are independent cash inflows (cash generating units). Goodwill is allocated to those assets that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash inflows. The directors concluded that at 31 March 2023, there were four CGUs being CloudCoCo Limited, CloudCoCo Connect Limited (formerly IDE Group Connect Limited), Systems Assurance Limited and More Computers Limited.

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

The calculations used to compute cash flows for the CGU level are based on the Group's Board approved budget for the next twelve months, and business plan, growth rates for the next five years, weighted average cost of capital ("WACC") and other known variables. The calculations are sensitive to movements in both WACC and the revenue growth projections. The impairment calculations were performed using post-tax cash flows at post-tax WACC of 13.25% (H1 2022: 11.25%) for each CGU. The pre-tax discount rate (weighted average cost of capital) was calculated at 18% per annum (H1 2022:15%) and the revenue growth rate is 5% per annum (H1 2022: 5%) for each CGU for 5 years and a terminal growth rate of 2% (H1 2022: 2%).

Sensitivities have been run on cash flow forecasts for the CGU. Revenue growth rates are considered to be the most sensitive assumption in determining future cash flows for each CGU. Management is satisfied that the key assumptions of revenue growth rates should be achievable and that reasonably possible changes to those key assumptions would not lead to the carrying amount exceeding the recoverable amount. Sensitivity analyses have been performed and the table below summarises the effects of changing certain other key assumptions and the resultant excess (or shortfall) of discounted cash flows against the aggregate of goodwill and intangible assets.

Sensitivity analysis £'000	CloudCoCo Limited	Systems Assurance Limited	More Computers Limited	CloudCoCo Connect Limited [1]
Excess of recoverable amount over carrying value:				
Base case – headroom	**2,010**	**315**	**476**	**3,676**
Pre-tax discount rate increased by 1% - resulting headroom	1,588	286	448	3,440
Revenue growth rate reduced in years 2 to 5 by 1% per annum – resulting headroom	1,316	264	443	2,716

Base case calculations highlight that the impairment review in respect of CloudCoCo Limited is most sensitive to the discount rate and growth rate. Headroom was also evident when applying a growth rate of 2% in years 2 to 5 in each of the CGU's but would trigger an impairment of £354,000 in CloudCoCo Limited.

7. Trade and other receivables

	Unaudited 31 March 2023 £'000	Unaudited 31 March 2022 £'000	Audited 30 September 2022 £'000
Trade receivables	**3,217**	3,043	2,936
Other debtors	**207**	111	244
Prepayments	**1,601**	1,698	1,586
Trade and other receivables	**5,025**	4,852	4,766

The Group reviews the amount of expected credit loss associated with its trade receivables and contract assets under IFRS 9 based on forward looking estimates that take into account current and forecast credit conditions as opposed to relying on past historical default rates. In adopting IFRS 9 the Group applied the Simplified Approach applying a provision matrix based on number of days past due to measure lifetime expected credit losses and after taking into account customers with different credit risk profiles and current and forecast trading conditions.

8. Contract assets

	Unaudited 31 March 2023 £'000	Unaudited 31 March 2022 £'000	Audited 30 September 2022 £'000
Contract assets	**740**	586	558

Contract assets relate to the Group's right to consideration in respect of goods or services that the Group has transferred to a customer. Contract assets are linked to recurring Managed IT services revenues, which have increased as a result of an increase in usage based services billed in arrears.

9. Trade and other payables

	Unaudited 31 March 2023 £'000	Unaudited 31 March 2022 £'000	Audited 30 September 2022 £'000
Trade payables	**5,325**	4,492	4,717
Accruals	**1,424**	1,210	1,448
Other taxes and social security costs	**657**	738	725
Trade and other payables	**7,406**	6,440	6,890

10. Borrowings

10.1 Current

	Unaudited 31 March 2023 £'000	Unaudited 31 March 2022 £'000	Audited 30 September 2022 £'000
COVID-19 Bounce-back loan repayable – short-term element	**19**	19	19
Deferred consideration relating to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) - short term element at Fair Value	**50**	50	50
	69	69	69

10.2 Non-current

	Unaudited 31 March 2023 £'000	Unaudited 31 March 2022 £'000	Audited 30 September 2022 £'000
Loan notes repayable in October 2024	**4,932**	4,224	4,558
COVID-19 Business Bounce-back loan repayable – long-term element	**54**	73	63
Deferred consideration relating to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) - long term element at Fair Value	**126**	103	102
	5,112	4,400	4,723

On 10 May 2020, the Company borrowed £50,000 from HSBC Bank UK Plc, under the COVID-19 Business Bounce-back loan scheme. In accordance with the UK Government's Business Interruption Payment scheme, the interest on the loan for the first 12 months is covered by the UK Government and the Company will repay the loan in 59 equal monthly instalments, commencing June 2021.

As part of the acquisition of More Computers Limited on 6 September 2021, the Company inherited a COVID-19 Business Bounce-back loan of £50,000 between More Computers Limited and NatWest Bank Plc. In accordance with the UK Government's Business Interruption Payment scheme, the interest on the loan for the first 12 months is covered by the UK Government and the Company will repay the loan in 59 equal monthly instalments, commencing March 2022.

10.3 Net debt – net debt comprises:	**31 March 2023 £'000**	Cash movements £'000	Other movements £'000	31 March 2022 £'000
Loan notes	**4,932**	—	708	4,224
COVID-19 Bounce-back loans	**73**	(19)	—	92
Deferred consideration relating to the acquisition of CloudCoCo Connect Limited (formerly IDE Group Connect Limited) - Fair Value	**176**	(50)	73	153
Lease liabilities	**1,246**	(984)	1,377	853
Cash and cash equivalents	**(1,275)**	37	—	(1,312)
Total	**5,152**	(1,016)	2,158	4,010

END