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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
<b>At 1 October 2018</b>	<b>2,271</b>	<b>11,337</b>	<b>6,489</b>	<b>1,997</b>	<b>1,649</b>	<b>(19,692)</b>	<b>4,051</b>
Loss and total comprehensive loss for the period	—	—	—	—	—	(4,424)	(4,424)
<b>Transactions with owners</b>							
Share-based payments	—	—	—	—	71	—	71
Total transactions with owners	—	—	—	—	71	—	71
Total movements	—	—	—	—	71	(4,424)	(4,353)
<b>Equity at 30 September 2019</b>	<b>2,271</b>	<b>11,337</b>	<b>6,489</b>	<b>1,997</b>	<b>1,720</b>	<b>(24,116)</b>	<b>(302)</b>

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 October 2019</b>	<b>2,271</b>	<b>11,337</b>	<b>6,489</b>	<b>1,997</b>	<b>1,720</b>	<b>(24,116)</b>	<b>(302)</b>
Loss and total comprehensive loss for the period	—	—	—	—	—	(2,548)	(2,548)
<b>Transactions with owners</b>							
Extinguishment of BGF Loan Notes in consideration for issue of 50,000,000 shares at 0.35p per share (note 19)	500	1,275	—	—	(1,330)	1,148	1,593
Issue of 218,160,586 shares to CloudCoCo vendors at 3.3p per share (note 22)	2,181	5,018	—	—	—	—	7,199
Cancellation of 11,353,255 share warrants held by MXC Guernsey on acquisition of CloudCoCo Ltd	—	—	—	—	(242)	242	—
Share-based payments	—	—	—	—	(26)	—	(26)
Total transactions with owners	2,681	6,293	—	—	(1,598)	1,390	8,766
Total movements	2,681	6,293	—	—	(1,598)	(1,289)	6,087
<b>Equity at 30 September 2020</b>	<b>4,952</b>	<b>17,630</b>	<b>6,489</b>	<b>1,997</b>	<b>122</b>	<b>(25,274)</b>	<b>5,916</b>

The accompanying accounting policies and notes on pages 55 to 59 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.

### Going concern

The Group had positive net assets at 30 September 2020 totalling £5.0 million compared to net liabilities at the end of FY19 of £1.1 million. The acquisition of CloudCoCo Limited during FY20 and the Refinancing referred to in the Financial Review 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 refinancing of the loan notes of £1.3 million. The Group had an undrawn working capital facility at 30 September 2020 of £0.4m which formally matures in October 2021 but which the lender has confirmed that it will extend to March 2022.

The Group's progress towards its key objectives of increasing sales, reducing customer churn, reducing costs, and returning to net cash generation is described in the Strategic Report. Despite significant uncertainty and disruption as a result of the pandemic, the Group reported an improvement in underlying profitability as measured by Group Trading EBITDA (2020: £0.3m; 2019: £(0.2)m) and generated cash from operating activities, excluding costs of acquiring CloudCoCo Limited, of £0.4m.

The Strategic Report on pages 9 to 10 describes the risks associated with the Group's activities which are reviewed by the Directors on a regular basis. The key operational risk the Group faces is the general economic outlook including the continuing uncertainty caused by the pandemic. Although COVID-19 has not a material impact on the Group's ability to operate, it has resulted in delays in sales cycles for certain services and delays in project delivery as customers assess the impact of COVID-19 on their own businesses. The Group responded by taking action to conserve cash including temporary pay cuts, use of the Government's furlough and VAT deferral schemes and a COVID-19 Bounce Back Loan.

The Directors have reviewed the forecast sales growth, budgets and cash projections for the period to March 2022. The Directors have performed sensitivity analysis which reflects uncertainty in assumptions regarding growth in services and customer projects and considered that the Group expects to have sufficient cash resources provided that the MXCG working capital facility is made available beyond October 2021. At the request of the Directors, MXC has provided confirmation that it will provide continuing financial support including the extension of the existing facility until March 2022.

After reviewing the forecast sales growth, budgets and cash projections, including sensitivity analysis on the key assumptions such as the potential impact of COVID-19 on sales, for the next twelve months and beyond and after 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 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. The Directors have not identified any material uncertainties that may cast doubt over the ability of the Group and Company to continue as a going concern and the Directors continue to adopt the going concern basis in preparing these financial statements.

### 1.2 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.

## Notes to the parent company financial statements (continued)

### 1.7 Share-based remuneration

The Company issues equity-settled share-based payments to certain employees. The fair value of the shares granted is borne by the Company and is not recharged to the Company's subsidiaries. Share-based payments are calculated at the grant date, based on an estimate of the shares that will ultimately vest, using the Black Scholes model and in accordance with FRS 102.

### 1.8 Critical accounting judgements and key sources of estimation uncertainty

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. Judgement was applied in the current year to determine the substance of the agreements with the BGF relating to the cancellation of loan notes and the modification and exercise of share options. As described in note 19, the Directors concluded that the exercise of options was in consideration for the extinguishment of the loan notes as though the loan note instrument had been a convertible instrument. As a result, the transaction resulted in a no gain or loss being recognised in the income statement which would otherwise have been the case had the agreements been judged to be unrelated.

#### *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 £9.9 million is recorded in the Company's Balance Sheet and relates to the amounts owed by subsidiary undertakings after impairment. At the end of each period, the minimum level of impairment provided is calculated such that the net assets of the Company are equal to the net assets of the Group net of any Deferred Tax. In addition, a full line-by-line review of the debtors is carried out for any further impairment. Whilst every attempt is made to ensure that the impairment provision is as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectable.

### 1.9 Financial assets

Financial assets comprise amounts due from subsidiary undertakings and are initially recognised at fair value, plus transaction costs and subsequently measured at amortised cost in accordance with Paragraph 11 of FRS 102. At the end of each reporting period, the company assesses whether there is objective evidence of impairment. If there is objective evidence of impairment, the company recognises an impairment loss in profit or loss immediately.

### 1.10 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. In the financial statements at 30 September 2019, loan notes were treated as a compound instrument as if the options granted to the lender represented an option to convert loan notes into equity.

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

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

## 2. Auditor remuneration

Fees payable to the Company's Auditor for the audit of the parent company's annual accounts were £20,000 (2019: £22,000).

## 3. Employee costs

The average number of staff employed by the Company during the year was 5 (2019: 3). These were all Directors. The costs for the year were £294,000 (2019: £147,000). Further detail is provided in note 7 to the consolidated financial statements.

## 4. Pension payments

The Company made pension payments of £5,000 during the year (2019: £nil). Further detail is provided in note 7 to the consolidated financial statements.

## 5. Share-based payments

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

## Notes to the parent company financial statements (continued)

### 6. Intangible fixed assets

	£'000
<b>Cost</b>	
At 1 October 2018 and 1 October 2019	60
Additions during the year	—
<b>At 30 September 2020</b>	<b>60</b>
<b>Depreciation</b>	
At 1 October 2018	27
Charge for the year	20
<b>At 30 September 2019</b>	<b>47</b>
Charge for the year	13
<b>At 30 September 2020</b>	<b>60</b>
<b>Net book value</b>	
<b>At 30 September 2020</b>	<b>—</b>
At 30 September 2019	13

### 7. Fixed asset investments

	£'000
<b>Cost and net book value</b>	
<b>At 1 October 2019 and 30 September 2020</b>	<b>1</b>

At 30 September 2020 the Company had two subsidiary undertakings.

Company	Country of registration or incorporation	Class of shares held	%
<b>Subsidiary undertakings</b>			
CloudCoCo Holdings Limited	Scotland	Ordinary	100
CloudCoCo 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	Intermediate holding company	(11,034)	(187)
CloudCoCo Cloud Services Limited	Dormant	1,000	—

At 30 September 2020, the Company had the following subsidiaries:

#### Active companies

Subsidiary company	Holding	Country of incorporation	Shares	Nature of business
CloudCoCo Holdings Limited	100%	Scotland	Ordinary	Holding company
CloudCoCo Managed IT Limited	100%	England and Wales	Ordinary	IT Managed Services
CloudCoCo Managed IT Limited	100%	England and Wales	Ordinary	IT Managed Services

On 21 October 2019, CloudCoCo Holdings Limited acquired the entire issued share capital of CloudCoCo Limited for a total consideration of £7.2 million. The consideration was satisfied in full by the Company on behalf of CloudCoCo Holdings Limited, by the issue of 218,160,586 new Ordinary Shares at 3.3p per share (being the mid-market price on the date of the acquisition).

#### 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	100%	England and Wales	Ordinary	Dormant
Ancar-B Technologies Limited	100%	England and Wales	Ordinary	Dormant

## Notes to the parent company financial statements (continued)

For the year ending 30 September 2020 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	11504479
Ancar-B Technologies Ltd	03347248

The registered office of all of the above companies apart from CloudCoCo Holdings Limited is 7750 Daresbury Business Park, Warrington, WA4 4BS. The registered office of CloudCoCo Holdings Limited is 12/13 St Andrew Square, Edinburgh, EH2 2AF.

<b>8. Debtors</b>	2020 £'000	2019 £'000
Amounts owed by subsidiary undertakings after impairment	9,989	4,497
Prepayments	32	31
Other taxes and social security costs	35	17
	<b>10,056</b>	<b>4,545</b>

The charge in the period for impairment of amounts owed by subsidiary undertakings was £1.4m, (FY19: £3.4m). The amounts owed by subsidiaries are unsecured, interest free and are repayable on demand.

### 9. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	442	356
Other taxes and social security costs	—	2
COVID-19 Bounce back loan repayable – short-term element	4	—
MXC Guernsey Limited working capital facility	100	—
Accruals	148	241
	<b>694</b>	<b>599</b>

Further detail on the COVID-19 Bounce back loan and the MXC Guernsey Limited working capital facility is provided in note 17 of the consolidated financial statements.

### 10. Creditors: amounts falling due in more than one year

	2020 £'000	2019 £'000
Loan notes	3,014	4,270
Accrued interest on loan notes repayable in October 2024	398	—
Loan notes	3,412	4,270
COVID-19 Bounce back loan repayable – long-term element	46	—
	<b>3,458</b>	<b>4,270</b>

Further detail on the COVID-19 Bounce back loan is provided in note 17 of the consolidated financial statements.

### 11. Financial instrument

The Company has loan notes in issue and further detail is provided in note 19 of the consolidated financial statements.

### 12 Share capital and reserves

Share capital and reserves comprises the following:

- “Share capital” represents the nominal value of equity shares;
- “Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares; net of expenses of the share issue;
- “Capital redemption reserve” represents the nominal value of cancelled Deferred Shares;
- “Merger reserve” represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue, in connection with acquisitions;
- “Other reserve” represents equity-settled share-based employee remuneration until such share options are exercised. In the financial statements at 30 September 2019 other reserves also included the equity element in the form of share 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.

## Notes to the parent company financial statements (continued)

### 12.1 Share capital

Shares issued and fully paid

	2020 £'000	2019 £'000
Beginning of year	2,271	2,271
Issued during year on exercise of share options and extinguishment of £1.5m loan notes	500	—
Issued during year to CloudCoCo Limited vendors	2,181	—
Shares issued and fully paid	4,952	2,271

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

Share capital allotted, called up and fully paid

	2020 No. Ordinary Shares	2019 No. Ordinary Shares
<b>Ordinary shares of £0.01p</b>	<b>495,225,986</b>	<b>227,065,100</b>

### 12.2 Share premium

	2020 £'000	2019 £'000
Beginning of year	11,337	11,337
Arising on extinguishment of BGF Loan Notes in consideration of 50,000,000 shares at 0.35p per share	1,275	—
Arising on issue of shares to CloudCoCo Limited vendors at 3.3p	5,018	—
End of year	17,630	11,337

### 12.3 Capital redemption reserve

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

### 12.4 Merger reserve

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

### 12.5 Other reserve

The Other reserve relates to share-based employee remuneration to be settled in equity. Further detail is provided in note 21.5 of the consolidated financial statements.

### 13. Related party transactions

There were related party transactions during the year. Further detail is provided in note 23 of the consolidated financial statements.

### 14. Contingent liabilities

There are no contingent liabilities at 30 September 2020 (2019: nil).

# Directors, Secretary and advisers

## Directors

**Simon Duckworth OBE DL**  
Non-Executive Chairman

**Jill Collighan**  
Non-Executive Director

**Andy Mills**  
Non-Executive Director

**Mark Halpin**  
Chief Executive Officer

**Mike Lacey**  
Chief Financial Officer

## Company Secretary

Darron Giddens

## Company number

05259846

## Registered office

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EC4M 7RD

## Nominated adviser and broker

N+1 Singer Advisory LLP  
1 Bartholomew Lane  
London  
EC2A 2AX

## Solicitors

DAC Beachcroft LLP  
25 Walbrook  
London  
EC4N 8AF