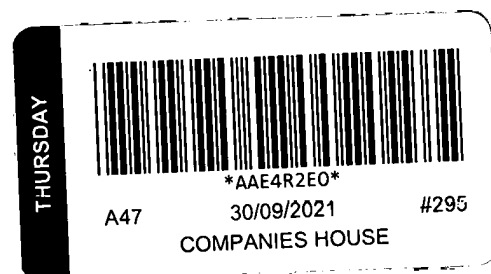


CloudCoCo Limited

**Annual report and financial statements
for the year ended 30 September 2020**

Company number 10989039



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Directors, secretary and advisers

Directors

M Halpin
A Mills
D Giddens (appointed 21 October 2019)

Company secretary

D Giddens

Company number

10989039

Registered office

7750 Daresbury Office Village
Daresbury Business Park
Warrington
Cheshire
WA4 4BS

Independent auditors

RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
20 Chapel St
Liverpool
L3 9AG

Directors' report

The Directors present their Annual Report, together with the financial statements and Auditor's report, for the year ended 30 September 2020 for CloudCoCo Limited, company number 10989039.

Principal activities

The principal activity of the Company is the provision of IT and communications solutions to UK businesses.

On 21 October 2019, CloudCoCo Limited was acquired by CloudCoCo Holdings Limited (formerly Adept4 Holdings Limited), both being wholly owned subsidiaries of CloudCoCo Group plc (formerly Adept4 plc), a company listed on the AIM market of the London stock Exchange (ticker CLCO.L).

On 31 August 2020, CloudCoCo Limited acquired all of the trade, assets, staff and liabilities of its sister company, CloudCoCo Managed IT Limited (formerly Adept4 Managed IT Limited), both companies being wholly owned subsidiaries within the same Group.

Results and dividends

The company's loss on ordinary activities after taxation was £219,639 (FY19: loss of £241,426). The audited financial statements of the company are set out on pages 10 to 19. The Directors do not propose a dividend for the year ended 30 September 2020 (FY19: £nil).

Going concern

The company's cash resources are managed as part of those of the group headed by CloudCoCo Group plc. As described in note 1, notwithstanding the company's net liabilities at 30 September 2020 of £190,551, the directors continue to adopt the going concern basis in preparing the financial statements. On 3rd September 2021, the parent company raised £2.1m via a placing of new ordinary shares to fund an acquisition and to provide the Group with additional working capital headroom.

Directors

The present membership of the Board is as follows:

M Halpin
A Mills
D Giddens (appointed 21 October 2019)

M Lacey served as a director from his appointment on 25 March 2020 until his resignation on 8 June 2021.

Post-balance sheet events

There are no post-balance sheet events to report.

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.

Independent Auditor

During the year RSM UK Audit LLP were appointed as auditors. RSM UK Audit LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

By order of the Board



Darren Giddens

Company Secretary

29 September 2021

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors 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. the Directors have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 company and of the profit or loss of the company for that period.

In preparing the 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; 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 company's transactions, disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's report to the members of CloudCoCo Limited

Opinion

We have audited the financial statements of CloudCoCo Limited (the 'company') for the year ended 30 September 2020 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, 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 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 financial statements section of our report. We are independent of the 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, 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 financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 financial statements are authorised for issue.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters

In the previous accounting period the directors of the company took advantage of audit exemption under section 477 of the Companies Act 2006. Therefore the prior period financial statements were not subject to audit.

Use of our report

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



Graham Bond FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
20 Chapel Street
Liverpool
L3 9AG
30 September 2021

Statement of comprehensive income

CLOUDCOCO LIMITED Registered Number 10989039
for the year ended 30 September 2020

	Note	2020 £	2019 £
Continuing operations			
Revenue	3	2,011,839	1,100,567
Cost of sales		(1,365,514)	(598,353)
Gross profit		646,325	502,214
Other operating income		8,435	-
Administrative expenses		(860,917)	(743,640)
Trading Group EBITDA ¹ – non statutory measure		(59,991)	(81,771)
Depreciation	4	(18,902)	(637)
Exceptional items	4	(127,264)	(159,018)
Operating loss	4	(206,157)	(241,426)
Interest receivable	5	8	-
Interest payable	5	(13,490)	-
Net finance expense		(13,482)	-
Loss before taxation		(219,639)	(241,426)
Taxation	7	-	-
Total comprehensive loss for the year		(219,639)	(241,426)

¹earnings before net finance costs, tax, depreciation, amortisation, plc costs, exceptional items and share-based payments

The accompanying accounting policies and notes on pages 10 to 19 are an integral part of these financial statements.

Statement of financial position

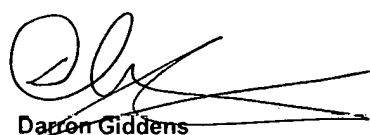
CLOUDCOCO LIMITED Registered Number 10989039
as at 30 September 2020

	Note	30 September 2020 £	30 September 2019 £
Non-current assets			
Intangible assets	8	58,670	—
Property, plant and equipment	9	220,464	3,157
Total non-current assets		279,134	3,157
Current assets			
Inventories	10	31,116	-
Trade and other receivables	11	1,825,457	385,492
Cash and cash equivalents		577,014	141,055
Total current assets		2,433,587	526,547
Total assets		2,712,721	529,704
Current liabilities			
Trade and other payables	12	(1,784,985)	(351,980)
Contract liabilities	13	(564,786)	(31,939)
Lease liability	14	(121,617)	(64,899)
Total current liabilities		(2,471,388)	(448,818)
Non-current liabilities			
Contract liabilities	13	(364,180)	(2,800)
Lease liability	14	(61,652)	(49,018)
Deferred tax liability		(6,052)	
Total non-current liabilities		(431,884)	(51,818)
Total liabilities		(2,903,272)	(500,636)
Net (liabilities) / assets		(190,551)	29,068
Equity			
Share capital	16	400	380
Share premium account	16	379,620	379,620
Retained earnings	16	(570,571)	(350,932)
Total equity		(190,551)	29,068

The notes from page 10 to 19 form part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 29 September 2021.

Signed on behalf of the Board of Directors by



Darren Giddens

Director

Company number 10989039

The accompanying accounting policies and notes on pages 10 to 19 form an integral part of these financial statements.

Statement of changes in equity
CLOUDCOCO LIMITED Registered Number 10989039
for the year ended 30 September 2020

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 October 2018	380	379,620	(109,506)	270,494
Loss and total comprehensive loss for the period	—	—	(241,426)	(241,426)
Equity at 30 September 2019	380	379,620	(350,932)	29,068

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 October 2019	380	379,620	(350,932)	29,068
Loss and total comprehensive loss for the period	—	—	(219,639)	(219,639)
Issue of shares at par	20	—	—	20
Equity at 30 September 2020	400	379,620	(570,571)	(190,551)

The accompanying accounting policies and notes on pages 10 to 19 form an integral part of these financial statements

Notes to the financial statements

1. General information

CloudCoCo Limited (the "Company") is a private limited company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is 7750 Daresbury Office Village, Daresbury Business Park, Warrington, Cheshire, WA4 4BS. The principal activity of the Company is the provision of IT Services to small and medium-sized enterprises in the UK.

1.1 Basis of preparation

The financial statements have been prepared in accordance with United Kingdom Accounting Standards – FRS *Reduced Disclosure Framework* (March 2018). This information is included in the consolidated financial statements of CloudCoCo Group plc as at 30 September 2020 and these financial statements may be obtained from 5 Fleet Place, London, EC4M 7RD or from the web site www.cloudcoco.co.uk.

These financial statements for the year ended 30 September 2020 are the first financial statements of CloudCoCo Limited prepared in accordance with the FRS 101 "Reduced Disclosure Framework". The date of transition to FRS 101 from FRS 102 was 1 October 2018.

The financial statements are prepared in pound sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on a historical cost basis. The principal accounting policies are set out below. These accounting policies are consistent with those in the previous year.

CloudCoCo Limited is a wholly owned subsidiary of CloudCoCo Holdings Limited and the results of CloudCoCo Limited are included in the consolidated financial statements of CloudCoCo Group Plc, the ultimate parent company. A copy of the financial statements to 30 September 2020 may be obtained from 5 Fleet Place, London, EC4M 7RD or from the web site www.cloudcoco.co.uk.

The Company has applied disclosure requirement exemptions available in the standard in the following areas:

- IFRS 5 disclosures regarding cash flows from discontinued operations;
- IFRS 15 disclosures regarding revenue from contracts with customers;
- IAS 8 requirement to produce a statement of cash flows and related notes;
- IAS 8 requirement to disclose information about the impact of standards not yet effective.
- IAS24 Related parties and Key management personnel
- IFRS 7 Financial instruments
- IAS 1 objectives for managing capital

1.2 Adoption of IFRS 16

IFRS 16 Leases has replaced IAS 17 Leases and the new standard became effective for periods commencing after 1 January 2019. The Company adopted IFRS 16 Leases using the modified retrospective basis from 1 October 2019 and no transitional adjustments were required.

IFRS 16 Leases introduces a single lessee accounting model where the company now recognises a lease liability and a right of use asset for all leases, except for those with short lives. As part of the transfer of trade and assets from CloudCoCo Managed IT Limited, the Company recognised a right of use asset in respect of the lease of office space at 7750 Daresbury Business Park, Warrington. The right of use asset is then depreciated over the remaining term of the lease. The company also recognised the lease liability in relation to the office lease with the liability representing the present value of the remaining lease payments discounted using the company's average incremental borrowing rate.

On adoption of IFRS 16 a right of use asset of £50,505 was re-classified, having previously been shown as Other Debtors under the principles of IAS17 leases

The adoption of IFRS 16 in the year to 30 September 2020 resulted in a reduction in operating expenses excluding depreciation of £11,034, and an increase in depreciation costs of £9,907 and an increase in interest costs of £1,127.

There is no overall impact of cash flows or retained earnings from implementing IFRS 16, however trading EBITDA has improved by £11,034.

Going concern

As at 30 September 2020, the company has net liabilities of £190,551 (2019 – net assets of £29,068). The company's cash resources are managed by the parent company, CloudCoCo Group plc, on a consolidated basis. The directors of CloudCoCo Group plc have prepared consolidated cash flow forecasts for the period to 30 September 2022 and have provided written confirmation within a letter of support that the parent company will at least until 30 September 2022, continue to provide financial and other support to the company, including not seeking repayment of amounts currently made available, to the extent necessary for the company to continue to trade and pay its liabilities as and when they become due. As such, the directors have not identified any material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern. On that basis the directors of the company believe that preparing these financial statements on a going concern basis is appropriate.

Notes to the financial statements (continued)

2. Principal accounting policies

a) Revenue and revenue recognition

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

The Company enters into sales transactions involving a range of the Company'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 Company assesses the goods or services that have been promised to the customer. Goods or services can be classified as either i) distinct or ii) substantially the same, having the same pattern of transfer to the customer as part of a series. Using this analysis, the Company identifies the separately identifiable performance obligations over the term of the contract. A contract liability is recognised when billing occurs ahead of revenue recognition. A contract asset is recognised when the revenue recognition criteria were met but in accordance with the underlying contract the sales invoice had not been issued.

Goods and services are classified as distinct if the customer can benefit from the 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 Company 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.

b) Revenue and revenue recognition (continued)

Sale of goods (hardware and software)

Sale of goods is recognised at the point in time when the customer obtains control of the goods. Revenue from the sale of software with no significant service obligation is recognised on delivery.

Rendering of services

The Company 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 and the performance obligation fulfilled, measured by reference to hourly rates.

In recognising Recurring Services revenues, the Company 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.

c) 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 Statement of Comprehensive Income.

d) Property, plant and equipment

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

e) Right of use assets

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

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

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

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 Statement of Comprehensive Income.

g) Exceptional items

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

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

Notes to the financial statements (continued)

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
Right of use asset	–	over the remaining term of the lease

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

i) Leases

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

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

The following accounting policies were applied to leases in the year ended 30 September 2019

Management applies judgement in considering the substance of the lease agreement. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Where the Company has substantially all the risks and rewards of ownership, the assets are capitalised as property, plant and equipment and depreciated over the shorter of their useful economic life and the lease term. The resulting lease obligations are included in borrowings net of finance charges. Interest costs on finance leases are charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the remaining balance of the liability for each period.

j) 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.

k) 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 Company 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 Statement of Comprehensive Income, 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

l) Financial assets

All financial assets are initially recognised at fair value, plus transaction costs and subsequently measured at amortised cost.

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Company do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

The Company reviews the amount of credit loss associated with its trade receivables based on forward looking estimates, taking into account current and forecast credit conditions.

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.

Notes to the financial statements (continued)

l) Financial assets (continued)

All financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Derecognition of financial assets occurs when the rights to receive cash flows from the instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken, at least, at each reporting date.

Interest and other cash flows resulting from holding financial assets are recognised in the Statement of Comprehensive Income when receivable.

m) Cash and cash equivalents

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

n) 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.

Borrowings are recognised initially at fair value less attributable transaction costs. They are subsequently measured at amortised cost. Any difference between the amount initially recognised and the redemption value is recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Trade and other payables are initially recognised at fair value less attributable transaction costs. They are subsequently measured at amortised cost.

Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the Statement of Comprehensive Income 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.

o) Issued share capital

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

p) Pension

The Company 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.

q) Government Grants

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

3.1 Analysis of continuing results

All revenues from continuing operations are derived from customers within the UK.

3.1.1 Revenue

	2020 £	2019 £
Recurring Services	1,508,561	797,419
Product	237,622	127,098
Professional Services	265,656	176,050
Total Revenue	2,011,839	1,100,567

3.1.2 Revenue

	2020 £	2019 £
Recognised at a point in time	503,278	303,148
Recognised over time	1,508,561	797,419
Total Revenue	2,011,839	1,100,567

Notes to the financial statements (continued)

4. Operating loss

	2020 £	2019 £
Operating loss is stated after charging:		
Legal and Professional Fees – exceptional item	89,000	134,018
Costs relating to the Plc - exceptional item	3,564	—
Bad Debt Provision – exceptional item	29,155	25,000
Restructure costs – exceptional item	5,545	—
Total exceptional items	127,264	159,018
Depreciation of owned assets	12,047	637
Depreciation of right of use assets	9,907	—

Auditors' remuneration has been paid by the parent, CloudCoCo Group plc as part of the Group audit fees, which are disclosed in the Group consolidated accounts. Items which are material and non-routine in nature are presented as exceptional items in the Consolidated Income Statement.

5. Finance income and finance costs

Finance cost includes all interest-related income and expenses. The following amounts have been included in the Statement of Comprehensive Income line for the reporting periods presented:

	2020 £	2019 £
Other interest receivable	8	—
Finance income	8	—
Interest expense resulting from:		
Lease liabilities	13,466	—
Other interest payable	24	—
Finance costs	13,490	—

6. Employee costs

6.1 Employees

The average monthly number of staff employed by the company during the financial year amounted to 10 staff (2019: 6) as follows:

	2020	2019
Management staff	2	2
Operational staff	8	4
Total	10	6

6.2 Employee remuneration

	2020 £	2019 £
Wages and salaries	558,959	407,933
Pension contributions	9,586	—
Social security costs	67,971	46,276
Total	636,516	454,209

Directors remuneration for the year to 30 September 2020 was £115,221 (2019: £95,225). Certain Directors are remunerated by CloudCoCo Group plc and are not included above. It is not practicable to identify the element of their remuneration that relates to their services as director to the company.

7. Taxation

	2020 £	2019 £
Current tax		
UK corporation tax for the period at 19% (2019: 19%)	—	—
Deferred tax		
Deferred tax credit on intangible assets	—	—
Total tax credit for the year	—	—

Notes to the financial statements (continued)

7. Taxation (continued)

The relationship between expected tax expense based on the standard rate of tax in the UK of 19% (2019: 19%) and the tax expense actually recognised in the Statement of Comprehensive Income can be reconciled as follows:

	2020 £	2019 £
Loss for the year before tax:	(219,639)	(241,426)
Tax rate	19%	19%
Expected tax credit	(41,731)	(45,871)
Adjusted for:		
Non-deductible expenses	17,239	485
Adjustment from prior periods	600	—
Deferred tax not recognised	23,840	45,386
Group relief	52	—
	—	—

The Company has unutilised tax losses carried forward of £231,479 (2019: £106,005) which are not recognised as a deferred tax asset due to uncertainty regarding the availability of future taxable profits against which the losses could be utilised.

8. Intangible assets

Intangible assets are non-physical assets which have been obtained as part of acquisition. All intangible assets have an identifiable future economic benefit to the Company at the point the costs are incurred. The amortisation expense is recorded in administrative expenses in the Statement of Comprehensive Income.

	Goodwill £	Software and IT systems £	Total £
Cost			
At 1 October 2019	—	—	—
Transferred from Group subsidiary	34,274	24,396	58,670
At 30 September 2020	34,274	24,396	58,670
Accumulated amortisation			
At 1 October 2019	—	—	—
Charge for the year	—	—	—
Transferred from Group subsidiary	—	—	—
At 30 September 2020	—	—	—
Carrying amount			
At 30 September 2020	34,274	24,396	58,670
At 30 September 2019	—	—	—
Average remaining amortisation period	0.3 years	1.2 years	1.2 years

On 31 August 2020, all of the trade, customers and assets of CloudCoCo Managed IT Limited were transferred to CloudCoCo Limited, both companies being wholly owned subsidiaries of CloudCoCo Group Plc, the ultimate parent company. The transfer of goodwill in the acquired customer base and software and systems is shown above as Transferred from Group subsidiary, with the transfer being recorded at net book value and with the consideration being credited to an inter-company account.

These intangible assets will continue be amortised over the remaining term, based on their original date of acquisition and at the same annual amortisation rate used in CloudCoCo Managed IT Limited.

Notes to the financial statements (continued)

9. Property, plant and equipment

	Right of Use Assets £	IT equipment £	Fixtures, fittings and leasehold improvements £	Total £
Cost of assets				
At 1 October 2019	—	3,794	—	3,794
Right of use assets recognised on transition to IFRS16	50,505	—	—	50,505
Additions	—	24,346	—	24,346
Transferred from Group subsidiary	128,348	31,473	1,537	161,358
Disposals	—	—	—	—
At 30 September 2020	178,853	59,613	1,537	240,003
Depreciation				
At 1 October 2019	—	637	—	637
Right of use assets recognised on transition to IFRS16	—	—	—	—
Charge for the year	9,907	8,890	105	18,902
Disposals	—	—	—	—
At 30 September 2020	9,907	9,527	105	19,539
Net book value				
At 30 September 2020	168,946	50,086	1,432	220,464
At 30 September 2019	—	3,157	—	3,157

On 31 August 2020, all of the trade, customers and assets of CloudCoCo Managed IT Limited were transferred to CloudCoCo Limited, both companies being wholly owned subsidiaries of CloudCoCo Group Plc, the ultimate parent company. The transfer of property, plant and equipment is shown above as Transferred from Group subsidiary, with the transfer being recorded at net book value and with the consideration being credited to an inter-company account.

10. Inventories

	2020 £	2019 £
Consumables	20,703	—
Work in progress	10,413	—
Inventories	31,116	—

Notes to the financial statements (continued)

11. Trade and other receivables

	2020 £	2019 £
Trade receivables	985,809	197,900
Other debtors	28,592	134,133
Contract assets	109,389	4,900
Prepayments	701,667	48,559
Trade and other receivables	1,825,457	385,492

Trade receivables are stated net of an impairment for estimated irrecoverable amounts of £153,463 (2019: Nil).

12. Trade and other payables

	2020 £	2019 £
Trade payables	721,388	147,252
Accruals	238,523	162,227
Amounts owed to Group undertakings	100,589	—
Other creditors	76,337	18,173
Other taxes and social security costs	648,148	24,328
	1,784,985	351,980

13. Contract liabilities

	2020 £	2019 £
Contract liabilities – short-term element	564,786	31,939
Contract liabilities – long-term element	364,180	2,800
	928,966	34,739

At 1 October 2019	34,739
Additions	59,405
Recognised in revenue in current year	(15,936)
Transferred from Group subsidiary	850,758
At 30 September 2020	928,966

Contract liabilities on unfulfilled performance obligations arise when income is deferred to the Statement of Financial Position due to invoicing of revenue to customers occurring ahead of revenue recognition in the Income Statement. The long-term element will be recognised within 60 months of the balance sheet date (FY19: 36 months).

14. Lease Liabilities

	2020 £	2019 £
Opening balance	113,917	—
Additions	—	113,917
Related interest expense	11,042	—
Repayment of lease liabilities	(73,611)	—
Transferred from Group subsidiary	131,921	—
Closing balance	183,269	113,917

	2020 £	2019 £
Current	121,617	64,899
Non-current	61,652	49,018
	183,269	113,917

Notes to the financial statements (continued)

15. Deferred tax liabilities

On 31 August 2020, all of the trade, customers and assets of CloudCoCo Managed IT Limited were transferred to CloudCoCo Limited, both companies being wholly owned subsidiaries of CloudCoCo Group Plc, the ultimate parent company. The transfer of the acquired intangible assets is shown in note 8 above, and the associated deferred tax is shown below as Transferred from Group subsidiary, with the transfer being recorded at net book value and the consideration being debited to an inter-company account.

	Deferred tax on acquired intangibles £
Deferred tax liability at 30 September 2019	—
Transferred from Group subsidiary	6,052
Deferred tax liability at 30 September 2020	6,052

16. 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.
- "Retained earnings reserve" represents retained profits and accumulated losses.

16.1 Share Capital

Shares issued and up and fully paid

	2020 £	2019 £
Ordinary shares of £1	400	380
	400	380

Share capital allotted, called up and fully paid

	2020 No. Ordinary Shares	2019 No. Ordinary Shares
Ordinary shares of £1	400	380

The rights attaching to the ordinary shares are as follows:

- The right to receive notice of and to attend and vote at general meetings;
- The right to participate in a distribution in respect of dividends; and
- The right to participate in a distribution in respect of capital.

16.2 Share premium

	2020 £	2019 £
Beginning and end of year	379,620	379,620

16.3 Retained earnings

	2020 £	2019 £
Beginning of year	(350,932)	(109,506)
Arising on profit / (loss) and total comprehensive profit / (loss) for the period	(219,639)	(241,426)
End of year	(570,571)	(350,932)

Notes to the financial statements (continued)

17. Related party transactions

The company had taken advantage the exemption available in FRS101 not to report group related transactions as it is wholly owned by the immediate parent company, CloudCoCo Holdings Limited which in turn is owned by CloudCoCo Group plc.

Prior to the acquisition of CloudCoCo Limited by the Group, CloudCoCo Limited purchased services of £100,000 from CoCoNitro Limited, a company jointly owned by Mark Halpin and Andy Mills of which £70,000 was outstanding at the date of acquisition. During the year, the Company repaid £45,000, resulting in £25,000 shown as current liability at 30 September 2020. Mark Halpin had a loan owing to the Company at 1 October 2019 of £10,751 which was also the maximum amount of the loan owing in the year to 30 September 2020. The loan was repaid during the year to 30 September 2020.

18. Ultimate controlling party

The Company is a wholly owned subsidiary of CloudCoCo Holdings Limited, a company registered in Scotland. The ultimate controlling party is CloudCoCo Group plc, a company registered in England and Wales.

CloudCoCo Group plc prepares consolidated financial statements and copies can be obtained at its registered office at 5 Fleet Place, London, ECM 7RD or from the website at www.cloudcoco.co.uk.