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Redcentric plc

Preliminary results announcement for the year ended 31 March 2021

Redcentric plc (AIM: RCN) ("Redcentric" or the "Company"), a leading UK IT managed services provider, today announces its full year results for the year ended 31 March 2021.

Financial Measures

	Year ended 31 March 2021 (FY21)	Year ended 31 March 2020 (FY20)	Change
Total revenue	**£91.4m**	£87.5m	4%
Recurring monthly revenue (RMR)	**£81.9m**	£77.6m	6%
Recurring revenue percentage	**90%**	89%	1%
Adjusted EBITDA[1]	**£24.6m**	£20.6m	19%
Adjusted operating profit[1]	**£15.2m**	£10.6m	43%
Reported operating profit/(loss)	**£13.0m**	£(8.7)m	n/a
Adjusted cash generated from operations[1]	**£26.5m**	£19.6m	35%
Reported cash generated from operations	**£17.6m**	£18.8m	(6%)
Net debt	**£(15.6)m**	£(34.5)m	(55%)
Adjusted net cash/(debt) [1]	**£1.0m**	£(13.3)m	n/a
Adjusted basic earnings per share[1]	**7.23p**	4.76p	52%
Reported basic profit/(loss) per share	**6.01p**	(7.14)p	n/a

[1] The preliminary results announcement contains certain financial measures that are not defined or recognised under IFRS but are presented to provide readers with additional financial information that is evaluated by management and investors in assessing the performance of the Redcentric plc group of companies (the "Group").

This additional information presented is not uniformly defined by all companies and may not be comparable with similarly titled measures and disclosures from other companies. These measures are unaudited and should not be viewed in isolation or as an alternative to those measures that are derived in accordance with IFRS.

For an explanation of the alternative performance measures ("APMs") used in this report and reconciliations to their most directly related GAAP measure, please refer to the disclosures in the Financial Review section below.

Financial Highlights

- Highly resilient results which are in line with the market expectations in place pre the outbreak of the COVID-19 pandemic and with no benefit from any government support packages including no staff furloughed and no cash flow reliefs taken as at the year end.
- Headline revenue growth of 4.5% to £91.4m.
- Organic recurring revenue grew to 5.5% to £81.9m, with recurring revenue representing 90% of total revenue (FY20: £77.6m / 89%).
- Adjusted EBITDA of £24.6m which is £4.0m (19%) ahead of FY20 reflecting the increased revenue and substantial direct and operating cost savings primarily derived from the network and data centre rationalisation programme.
- During the financial year, the Company repaid in full its revolving credit facility. Net debt reduced by £19.0m to £15.6m as at 31 March 2021 (FY20: £34.5m), primarily reflecting adjusted cash flow from operations of £26.5m, net capex of £4.1m, interest and tax of £1.6m, dividend payments of £1.9m and net restitution payments and fees of £1.6m.
- As at 31 March 2021 the Company had a year-end cash balance of £5.3m.
- Adjusted basic EPS of 7.23p (FY20: 4.76p) and statutory basic EPS of 6.01p (FY20: -7.14p).

- During the year, an interim dividend of 1.2p (£1.9m) was paid and a final dividend of 2.4p (£3.7m) is being recommended to shareholders. It is the intention of the board of directors of the Company (the "Board") to continue with a progressive dividend policy (50% of adjusted earnings) in FY22 and beyond.

Operational Highlights

- Recurring revenue growth of 5.5% primarily driven by the completion of the Health and Social Care Network ("HSCN") rollouts and the associated cross sell of collaboration and security products. In addition, the Company reacted well to customer demands driven by the COVID-19 pandemic and quickly deployed connectivity and security solutions to enable businesses to work remotely.
- During the year, the network and data centre rationalisation programme was completed with resulting annualised savings of £4.0m, substantially ahead the £2.8m expected at the commencement of the programme .
- In October 2020, the finance and operations module of the Company's new enterprise resource planning ("ERP") system (D365) was launched. The Company has now been operating on a fully integrated ERP system for nine months and the system is delivering clear benefits in terms of improved management information and more accurate and timely billing.
- Continued investment for growth with significant upgrades to the Shoreditch and Harrogate data centres, a strengthening of the sales team, the appointment of financial advisers and the creation of a new Head of Corporate Development role.
- In June 2020, a restitution scheme was established following the settlement reached with the Financial Conduct Authority ("FCA") in respect of the historical accounting misstatements which were announced in November 2016. The scheme closed on 31 October 2020 with 82% of eligible claimants receiving compensation. Total restitution payments of £8.4m were made, being satisfied by the issue of 1.3m new shares at a market value of £1.7m and cash payments of £6.7m. To part fund the restitution scheme and the associated £0.8m of advisory fees, £5.8m was raised from shareholders in July 2020 through an issue of 5.3m new ordinary shares.
- On 31 March 2021 the Company disposed of assets relating to a non-core business unit for £5.8m (£3.5m receivable April 2021 and £2.3m receivable September 2021) resulting in an exceptional gain of £4.5m. During FY21 this business unit contributed £1.0m to revenue and £0.7m to EBITDA and operating cash flow.
- Acquisition opportunities for both scale and capability are a key part of our strategy, and we anticipate completing at least one acquisition during this financial year.

Peter Brotherton CEO commented:

"We have had an extremely productive year with many historical issues addressed and with a very robust financial performance in line with expectations set before the pandemic. We are now an efficient and fully integrated business delivering sector leading financial metrics including high recurring revenue, strong EBITDA margins and excellent cash generation.

Notwithstanding such a resilient set of results, it is impossible to avoid the impact of the ongoing Covid uncertainty. Throughout the Covid-19 pandemic we have experienced customer delays regarding decisions on large-scale IT projects. These delays have persisted into FY22 and consequently we expect revenues and EBITDA in H1 FY22 to be broadly flat with modest growth returning in the second half of FY22 once the country returns to a more normalised position. We remain confident about our medium-term outlook, with an encouraging pipeline of potential new business which continues to gather momentum.

With such a strong balance sheet we are ideally placed to supplement our organic growth strategy with targeted acquisitions for both scale and capability. The next phase of our journey is to capitalise on our scale, financial strength and customer proposition to enable us to take part in the inevitable industry consolidation."

There will be a presentation for analysts held at 9:30am on 15 July 2021 by video conference. Please contact investorrelations@redcentricplc.com if you would like to attend.

For further enquiries please contact:

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Marc Milmo / Simon Hicks / Charlie Beeson (Corporate Finance)

Andrew Burdis / Sunila de Silva (ECM)

Chairman's Statement

I am very pleased to introduce the preliminary results for the Redcentric plc ("Redcentric" or "Company") group of companies (the "Group") for the financial year ended 31 March 2021 ("FY21").

OVERVIEW AND FINANCIAL RESULTS

The Chief Executive's review highlights considerable progress across all areas of the business in what has been a very eventful and unprecedented year. I am delighted to say that despite the pandemic, the business has made substantial progress in internal integration and optimisation, continuing to improve its talent base, increasing its focus on customer satisfaction and, above all, delivering on our financial targets.

The business has returned to growth with headline revenues increasing by 4.5% year on year, and recurring revenues growing by 5.5%, a result which is especially pleasing given the backdrop of COVID-19. The increase in revenue and the completion of efficiency programmes have together contributed to a more substantial increase in profits and margins, with adjusted EBITDA growing by 19.3% to £24.6m, representing a top sector decile adjusted EBITDA margin of 26.9%. Strong cash conversion, which is a constant feature of the business, has enabled the Company to fully repay its revolving credit facility and led to a reduction in net debt of £19m and a year-end cash balance of £5.3m. I am particularly proud that these excellent results are in line with the expectations that were set prior to the outbreak of COVID-19.

As well as achieving significant progress in financial and operational performance, this year marked a huge step forward for the Company with the conclusion of the FCA's investigation into historical financial misstatements ("FCA Investigation") and the completion of the resulting restitution scheme.

With the excellent financial performance, completion of historic acquisition integration programmes, and the removal of the FCA overhang, the Company is now ideally placed to embark on the next stage of its development and the strategy outlined in our interim results. In the current financial year we expect to start to grow the business by making acquisitions for both scale and capability.

DIVIDEND AND SHARE BUYBACK

Further to the business' good trading performance and strong cash generation, and the closure of the Restitution Scheme, the Board has decided to reinstate a progressive dividend policy. The Board is therefore recommending to shareholders the payment of a final dividend of 2.4p per share which, if approved at the Company's annual general meeting ("AGM"), will be paid on 17 September 2021 to shareholders on the register at the close of business on 6 August 2021.

As stated in November 2020, the Board will retain the option to selectively purchase shares on the open market as and when it believes it is appropriate.

BOARD CHANGES AND PEOPLE

I would like to give special thanks to the management team and employees for their hard work and dedication to progress the Company's performance during this difficult year. The transition to remote working was excellent, with employees continuing to provide a high level of service across the customer base and reacting positively to customer needs, by offering additional services as required to adapt to the pandemic or allowing payment plans for ongoing services. In turn, I am delighted that we chose not to take advantage of the government's furlough scheme or any other pandemic related government relief.

David Senior joined the PLC Board as Chief Financial Officer ("CFO") on 3 April 2020 replacing Dean Barber who resigned on the same date. David has had an excellent first year as CFO and has made a significant contribution to the success of the Company in this financial year.

On 28 April 2021 Steve Vaughan, Non-Executive Director, resigned from the board of directors of the Company (the "Board") and in July 2021 we announced the appointment of Helena Feltham to the Board. Helena brings a wealth of HR and people experience and will significantly strengthen the Board and the remuneration committee.

With historical issues fully resolved, the Company on a firm financial footing and embarking on its acquisition strategy, I believe that the Company would benefit from a chairperson with industry specific experience. With these results, I therefore announce my intention to stand down from the Board as soon as a suitable successor is appointed. I have very much enjoyed my time at the Company and am very proud of the team's achievements during my tenure. I am pleased to be leaving the business in a much improved and healthy position.

I would like to thank the Board for its support, hard work and dedication during this challenging year and during my tenure as chairman.

OUTLOOK

The transformation of the business over the last two financial year and these excellent results mean that the Company is now well positioned to establish itself as a market leader of IT managed services. The business' strong financial performance, integrated network and single operating platform put the Company in an excellent position to deliver its strategic objectives, including the completion of appropriate acquisitions of scale and capability.

Ian Johnson

Chairman

15 July 2021

Chief Executive's Review

Overview

The last financial year to 31 March 2021 was a period of very significant progress for Redcentric, despite the unique and many challenges presented by the COVID-19 pandemic. The business has had its best year yet in terms of financial performance with revenues growing organically by 4.5% and adjusted EBITDA margins increasing by 3.3% to 26.9%, resulting in a 19.3% increase in adjusted EBITDA to £24.6m. Cash generation continued to be excellent with adjusted net debt reducing by £ 19.0m, delivering an adjusted net cash position at the year-end before leases.

We reacted quickly to the COVID-19 pandemic and deployed most of our employees to remote working almost immediately following the outbreak. This was achieved with a minimal amount of disruption and our high levels of customer service were maintained throughout. We are pleased that we did not furlough any of our employees at any point during the pandemic, unlike many of our industry peers.

In June 2020, the Company announced that it had reached a settlement with the FCA in respect of historical accounting misstatements. As part of this settlement the Company launched a restitution scheme to compensate any net purchases of shares between 9 November 2015 (when the September 2015 interim results were released) and 6 November 2016 (when the discovery of the accounting misstatements was announced to the market) (the "Restitution Scheme").

The Restitution Scheme closed on 31 October 2020, with 82% of all potential claims settled through cash payments of £6.6m and the issue of 1.3m new shares.

The closure of the FCA Investigation and Restitution Scheme represented a pivotal event for the Company allowing management attention to be solely devoted to running the business. It also reopens FCA regulated sectors into which the business' products can now be sold.

During the year, the company disposed of a small part of the business that serviced four EDF nuclear power stations for a consideration of £5.75m. This single contract pre-existed from the Calyx acquisition and its disposal signifies another step forward in focussing the business on its core strengths and activities.

The significant achievements above coupled with the completion of the integration projects and the launch of a new ERP system means that the business is very well positioned for both organic and inorganic growth. Given our strong balance sheet and unique position in the UK listed market as a quoted managed services provider of scale, we expect to make targeted acquisitions moving forward as we continue to expand our customer reach and our product and solution portfolio to address the continued expansion in the cloud services market.

Business Performance

REVENUES

Revenues for the year are up 4.5% on last year with recurring revenues accounting for 90% of total revenues and increasing by 5.5% on the financial year ending 31 March 2020 (“FY20”). Despite a strong overall performance, the business has been impacted by delays to customers decision making since the breakout of COVID-19. At the start of the pandemic, we experienced an immediate impact on our sales pipeline with customers putting many large IT projects on hold. This position has persisted throughout the financial year but during the first half of the financial year we were extremely successful in replacing these opportunities with solutions that addressed the new COVID-19 environment, these include:

- A new secure remote access platform which was built from scratch within three weeks and was rapidly filled by customers requiring secure access to their mission critical systems.

- A new Call2Teams product was introduced enabling our customers’ workforce to make calls from Microsoft Teams but routed through our Broadsoft IP telephony platform.

- Demand for additional bandwidth and HSCN connectivity was also high during this period.

In the second half of the financial year, we experienced less demand for these types of products and services and the second and third lockdown periods created further uncertainty and delays into the market. As the country continues to make good progress on its return to normality, we are slowly starting to see confidence build back up within the sector and are witnessing increased interaction with our existing and potential customers. Given typical prospect to revenue timescales we expect this to generate improvements in the second half of FY22.

FY21 was an encouraging year for new logos with more new names signed up in the last twelve months than in the previous three years. Sales to these customers were small initially but history shows that smaller orders generally develop into significant customer relationships over the long term.

SALES, SOLUTIONS AND CUSTOMERS

As we start to see an increase in activity within our pipeline we are actively expanding and strengthening our sales team which will also enable us to exploit opportunities previously closed to us because of the FCA investigation. Three new positions in commercial new business have been created and key roles in public sector new business and account management have been replaced. With proven and experienced individuals recruited, we expect to see a positive impact on the sales pipeline by H2 FY22.

During the period we have also been busy developing new products and solutions with ten new products being added to our portfolio. These products are spread across the solution towers and address gaps within our current product portfolio whilst also satisfying customers’ increasing demand for more intelligent solutions and offerings.

In April we launched a new secure remote access platform specifically designed for compliant access to governed networks such as the HSCN with integrated multi factor authentication. In addition to this we increased the capability in our Secure SD WAN offering with both 5G capable cellular connectivity (for primary and secondary connectivity) and a customer management portal offering multi and co-managed policy delivery from a central location allowing automated, zero touch build capability and building towards an end to end, zero trust, security fabric roadmap.

Call2Teams, delivered in Summer FY21, offers customers a cost effective PSTN break out service from Microsoft Teams with added call recording, call routing and call reporting and providing a cost-effective alternative to Microsoft’s in-built calling plans. Expanding and evolving our voice capability we also launched a highly flexible and scalable omni channel contact centre solution for companies of all sizes offering increased productivity, closer customer contact and improved service levels.

OPERATIONS

During H1 FY21 the network and data centre efficiency programme was completed, achieving final annualised cost savings of approximately £4 million, significantly ahead of the Company’s expectations of £2.8 million when the programme was launched. As part of this exercise, three third party data centres in London have been vacated, three network platforms have been merged into one and our entire tail circuit estate has been validated. All this was done without incident and with minimal disruption to customers.

During the year the delivery function has been overhauled with a new position of Delivery Director created. This new hire was filled by an external candidate who has restructured the team bringing in two very high-quality recruits as his direct reports. A second wave of restructuring has resulted in 50% of the delivery team being replaced and all project staff being bought onshore.
The team are currently working on implementing a new workflow software programme which will yield further benefits in FY22.

ENTERPRISE RESOURCE PLANNING ("ERP")

The implementation of the finance and operations module of Microsoft Dynamics 365 ("D365") on 5 October 2020 was a major accomplishment for the business, this module integrates seamlessly with the CRM module launched during the last financial year and provides the business with an end-to-end ERP system that replaces five legacy systems.

We are starting to see some of the many benefits that this system facilitates, functionally, we are seeing dramatically improved management information, which is consistent throughout the organisation and more practically, our cash collection has improved as we are able to issue invoices quicker and, in some cases, receive payment before invoices were issued on the old systems.

Refinements to the system and the processes that surround it are ongoing and we expect to see further productivity and efficiency benefits during FY22. Additionally, we expect to be able to improve our customers' experience through leveraging functionality within D365 and implementing significantly improved customer portals, which will enable customers to access account information and order standard products and services through a single pane of glass.

HR

During the period employee engagement has increased materially and the employee surveys provide clear evidence of the very significant improvement in this area. Our employees' mental health and welfare has been a crucial area of focus for the company. Multiple initiatives have been launched throughout the period to ensure our employees feel valued, appreciated, and remain an integral part of the business despite being isolated from colleagues. The company did not take part in the furlough scheme and all employees remained in full time employment.

Along with this great work the HR team also standardised all employment contracts, replacing numerous legacy contracts with one single contract. Work is currently underway to replace five legacy HR systems (Holidays, payroll, sickness, expenses, travel) with one fully integrated system. This will go live in stages over the next six months and will yield further efficiencies and improved management information.

ENVIRONMENTAL

The company remains cognisant of its responsibilities to protect the environment and has taken actions during FY21 to reduce its carbon footprint. During the year we undertook significant investment in new equipment to reduce power consumption in our data centre facilities. Since the installation of new chiller units into the Harrogate data centre we have seen consumption reduce by 6.5%

We continue to evaluate technologies that will reduce our carbon emissions further and are currently in the process of installing unused preowned air handling units into our Harrogate data centre, which is expected to reduce energy consumption associated with data centre chilling by c.5%.

CASH FLOWS

Strong cash flows continue to be a consistent feature of the business. During the year and despite growth in the business a positive working capital movement of £1.9m was achieved which helped to generate an adjusted operating cash flow of £26.5m. The share placing made as part of the restitution scheme generated cash of £5.8m which was offset by cash outflows in association with the scheme of £7.4m. During the year, the company repaid its revolving credit facilities in full and ended the financial year in positive bank debt position, reducing total net debt by £19.0m in the period.

Whilst the company initially took advantage of the government's VAT deferral scheme, this was repaid in full by 30 September 2020, and no further government schemes have been utilised in the period.

SALE OF NON-CORE BUSINESS UNIT

On 31 March 2021, the Company reached agreement with Thales UK Limited to sell the assets and knowhow required for the provision of maintenance services to four EDF nuclear power stations. Redcentric previously provided maintenance services direct to EDF under a ten-year contract (the "Contract") which expired on 31 March 2021. In the year to 31 March 2021, the Contract contributed £1m to revenue and £0.7m to EBITDA and operating cash flow.

Under the terms of the agreement, Thales will pay Redcentric a fixed consideration of £5.75m, payable in two instalments: £3.5m has been received on 30 April 2021 and £2.25m will be received on 30 September 2021. As part of the sale the five employees that previously worked on the Contract were transferred to Thales.

Summary and Outlook

We have had an extremely productive year with many historical issues addressed a return to revenue growth and the business now delivering sector leading EBITDA less capex margins. With no net bank debt, an efficient operating model, a new ERP system and fully integrated network and platforms, we are now ideally placed to pursue the next stage of the Company's development.

The results for FY21 are especially impressive given the backdrop of the COVID-19 pandemic and the fact that they are in line with the market expectations that were in place pre the outbreak of COVID-19. The many challenges associated with the pandemic were overcome, with customer service unaffected, no employees furloughed and without taking advantage of any other government support schemes.

Throughout the Covid-19 pandemic we have experienced customer delays regarding decisions on large-scale IT projects. The delays experienced throughout FY21 have continued into FY22 and hence we expect revenues and EBITDA in H1 FY22 to be broadly flat with modest growth returning in the second half of FY22 once the country returns to a more normalised position.

Acquisition opportunities for both scale and capability are a key part of our strategy, and we anticipate completing at least one acquisition during this financial year.

At the start of the new financial year, we have made significant investment to assist in the organic and inorganic growth of the business. Three new sales heads have been recruited in preparation for the return of large-scale project opportunities. In addition, we have recently appointed Oakley Advisory Limited as the Company's financial adviser and created a new senior position of Head of Corporate Development. Both appointments significantly strengthen our skills, and the additional resource makes us well placed to deliver the inorganic growth part of our strategy.

The integration and efficiency work carried out over the last two financial years provides an excellent platform and template for the integration of future acquisitions. Any scale acquisition would involve the merging of physical networks, the merging of network and operational platforms and a consolidation of data centre space. Our historical success in these areas therefore provides confidence in our ability to successfully integrate future acquisitions whilst deriving significant synergies.

Our strong profitability and cash flows, underpinned by 90% recurring revenues, enable us to maintain a progressive dividend policy whilst also pursuing our acquisition strategy.

We look forward to building on a very successful year with both optimism and confidence.

Peter Brotherton
Chief Executive Officer
15 July 2021

Financial Review

Financial performance measures

	Year ended 31 March 2021 (FY21)	Year ended 31 March 2020 (FY20)	Change
Total revenue	**£91.4m**	£87.5m	4%
Recurring monthly revenue (RMR)	**£81.9m**	£77.6m	6%
Recurring revenue percentage	**90%**	89%	1%
Adjusted EBITDA[1]	**£24.6m**	£20.6m	19%
Adjusted operating profit[1]	**£15.2m**	£10.6m	43%
Reported operating profit/(loss)	**£13.0m**	£(8.7)m	n/a
Adjusted cash generated from operations[1]	**£26.5m**	£19.6m	35%
Reported cash generated from operations	**£17.6m**	£18.8m	(6%)
Net debt	**£(15.6)m**	£(34.5)m	(55%)
Adjusted net cash/(debt) [1]	**£1.0m**	£(13.3)m	n/a
Adjusted basic earnings per share[1]	**7.23p**	4.76p	52%
Reported basic profit/(loss) per share	**6.01p**	(7.14)p	n/a

[1] The preliminary results announcement contains certain financial measures that are not defined or recognised under IFRS but are presented to provide readers with additional financial information that is evaluated by management and investors in assessing the performance of the Redcentric plc group of companies (the "Group"). For an explanation of the alternative performance measured used in this report please refer to the appendix.

[1] For an explanation of the alternative performance measures used in this report, please refer to the appendix.

Overview

The business has performed extremely well during the year with all key financial performance measures moving in the right direction. With the business returning to revenue growth and the full effect of the efficiency programmes flowing through, both adjusted EBITDA and cash generation have been outstanding.

The key financial highlights are as follows:

- Total revenue increased by 4.5% to £91.4m (FY20: £87.5m). Recurring monthly revenue grew by 5.5% to £81.9m (FY20: £77.6m), representing 90% (FY20: 89%) of the total revenue.
- The Group reported profit before taxation of £11.5m in FY21 (FY20: loss of £10.6m). Adjusted EBITDA increased by £4m (19.3%) to £24.6m and adjusted operating profit increased by £4.6m to £15.2m, reflecting increased revenue and continued improvement to gross profit margin.
- Net debt at 31 March 2021 was £15.6m, including £15.1m of IFRS16 lease liabilities that were previously classified as operating leases under IAS17 and £1.5m of supplier loans.

In addition to strong trading performance this year's accounts have been impacted by three non-trading factors that have a material impact on the financial statements:

1. The sale of a non-core business unit was completed on 31 March 2021 for a fixed consideration of £5.75m, payable in two instalments: £3.5m on 30 April 2021 and £2.25m on 30 September 2021. This contract provided maintenance services to four EDF nuclear power stations and in FY21, this contract contributed £1m to revenue and £0.72m to EBITDA and generated £0.68m of operating cash flow. As part of the sale the five employees that previously worked on the Contract were transferred to Thales. Goodwill of £1.2m was disposed of.
2. The settlement reached with the FCA resulted in the Restitution Scheme being implemented with an estimated cost of £11.4m provided for in FY20. Total restitution payments of £8.4m were made, being satisfied by the issue of 1.3m new shares at a market value of £1.7m and cash payments of £6.7m. To part fund the restitution scheme and the associated £0.8m of advisory fees, £5.8m was raised from shareholders in July 2020 through an issue of 5.3m new ordinary shares.
3. On 27 August 2020, a modification to the London site lease was agreed with the landlord, incorporating a one-way break clause at March 2030, with the lease expiry date remaining unchanged at March 2040. The inclusion of this clause triggers a revision to the lease liability and right of use asset under IFRS 16. On 1 January 2021, a one-way break clause in the Cambridge site lease was not activated thereby extending the lease expiry date to August 2023. The impact of these modifications on the financial statements is to reduce both the lease liability and right of use asset by £3.8m and £4.2m respectively, a £0.2m increase in the dilapidation provision and a £0.6m exceptional charge in the period.

Revenue

Revenue for the year ended 31 March 2021 was generated wholly from the UK and is analysed as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Recurring revenue	**81,897**	77,617
Product revenue	**5,072**	5,215
Services revenue	**4,430**	4,653
Total revenue	**91,399**	87,485

Revenue is analysed into the following categories:

- Recurring monthly revenue has increased to £81.9m (FY20: £77.6m), delivered by a combination of successful Health and Social Care Network (HSCN) connectivity implementations, and the installation of COVID-19 related services, which tend to have a shorter order to installation time lag.

- Non-recurring product revenue, which was lower at £5.1m (FY20: £5.2m), has been more volatile since the announcement of Brexit and more latterly COVID-19, both of which are causing customers to reconsider the timing of largescale IT investment decisions.
- Non-recurring services revenue was lower at £4.4m (FY20: £4.7m) due to delay in IT projects and site-access challenges due to COVID-19.

Gross profit

Gross profit increased by 5.0% (£2.8m) reflecting the Group's increased revenue and an improvement in gross margin to 63.4% (FY20: 63.1%). Of the £2.8m gross profit increase, £2.5m was achieved through revenue growth with the remaining £0.3m due to gross margin improvement. Of the 0.3% gross margin improvement, 1.3% is driven by the network restructuring programme which offsets 0.5% reduction due to the loss of high margin Crown Hosting contracts and 0.5% reduction due to slightly lower margins on services installed and churn on renewals.

Adjusted operating costs

The Group's adjusted operating costs (operating expenditure excluding depreciation, amortisation, exceptional items and share-based payments) are set out in the table below:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000	Change £'000	Change %
UK staff costs	**19,700**	19,738	(38)	0%
Office and data centre costs	**3,789**	4,393	(604)	(14%)
Network and equipment costs	**6,940**	6,680	260	4%
Other sales, general and administration costs	**1,428**	1,887	(459)	(24%)
Offshore costs	**1,502**	1,886	(384)	(20%)
Total adjusted operating costs	**33,359**	34,584	(1,225)	(4%)

Employees

Year-end headcount	**Year ended 31 March 2021**	Year ended 31 March 2020	Variance
UK	**295**	298	(3)
India	**100**	144	(44)
Total employees	**395**	442	(47)

Average headcount	**Year ended 31 March 2021**	Year ended 31 March 2020	Variance
UK	**294**	311	(17)
India	**126**	151	(25)
Total employees	**420**	462	(42)

Total adjusted operating costs for FY21 were 3.5% (£1.2m) lower than prior year, reflecting:

- office and data centre costs reduced by £0.6m, primarily reflecting the data centre restructuring programme;
- network and equipment costs increased by £0.3m, primarily due to increased software and licences costs a result of additional licencing to support the enhanced IaaS platform and a period dual running following the implementation of a new ERP system;
- other sales, general and administration costs down £0.5m, largely due to reduced travel and entertainment costs which have been impacted by COVID-19; and

- offshore costs reduced by £0.4m due to reduction in staff costs with the average number of employees reducing from 151 to 126 as a result of delivery restructuring.

Adjusted EBITDA

Adjusted EBITDA is EBITDA excluding exceptional items (as set out in note 2), share-based payments and associated National Insurance. The same adjustments are also made in determining the adjusted EBITDA margin. Items are only classified as exceptional due to their nature or size, and the Board considers that this metric provides the best measure of assessing underlying trading performance.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported operating profit/ (loss)	**12,998**	(8,737)
Amortisation of intangible assets arising on business combinations	**6,252**	6,252
Amortisation of other intangible assets	**1,085**	1,197
Depreciation on tangible assets	**3,408**	6,373
Depreciation on ROU assets	**4,932**	2,441
EBITDA	**28,675**	7,526
Exceptional items	**(4,782)**	12,516
Share-based payments and associated National Insurance	**687**	562
Adjusted EBITDA	**24,580**	20,604

Adjusted EBITDA increased by 19.3% to £24.6m, £4.0m higher than prior year, reflecting growth in revenues, increased gross margin and the full year impact operational efficiencies largely delivered during FY20.

Taxation, interest and dividend

The tax charge for the year was £2.3m (FY20: £0.0m credit), comprising an income tax charge of £1.2m (FY20: £0.8m), a current year deferred tax charge of £0.8m (FY20: £0.8m credit) and a deferred tax charge in respect of prior years of £0.3m (FY20: £0.0m).

Net finance costs for the year were £1.5m (FY20: £1.9m), including £1.2m of interest payable on leases of which £1.0m related to leases previously recognised as operating leases under IAS17.

During the year, the Company paid an interim dividend for FY21 of 1.2p per share, totalling £1.9m.

A final dividend payment of 2.4p per share will be paid on 17 September 2021, subject to approval at the Company's Annual General Meeting. The shares will have an ex-dividend date of 5 August 2021 and a record date of 8 August 2021.

Net debt

During the year, net debt reduced by £19.0m to £15.6m as at 31 March 2021, with the movements shown in the tables below:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Adjusted EBITDA	**24,580**	20,604
Effect of exchange rates	**-**	13
Working capital movements	**1,881**	(970)
Adjusted cash generated from operations	**26,461**	19,647
Cash conversion	*107.7%*	*95%*
Capital expenditure – cash purchases	**(2,937)**	(4,233)
Capital expenditure – finance lease purchases	**(2,235)**	(2,402)
Proceeds from sale and lease back of assets	**1,036**	-
Net capital expenditure	**(4,136)**	(6,635)
Corporation tax	**(149)**	(660)
Interest paid	**(398)**	(610)
Loan arrangement fees/fee amortisation	**(17)**	(51)
Finance lease/term loan interest	**(1,017)**	(1,377)
Effect of exchange rates	**(27)**	(13)

Other movements in net debt	**(1,608)**	(2,711)
Normalised net debt movement	**20,717**	10,301
Lease liabilities adopted under IFRS 16	**-**	(23,013)
Cash costs of exceptional items	**(8,884)**	(817)
Remeasurement related to lease modification	**3,917**	-
Supplier loans	**(1,207)**	-
Share issues	**5,775**	-
Share buy-back	**-**	(724)
Sale of treasury shares	**494**	-
Cash received on exercise of share options	**36**	
Dividends	**(1,868)**	(2,731)
	(1,737)	(27,285)
Decrease/(increase) in net debt	**18,980**	(16,984)
Net debt at the beginning of the period	**(34,549)**	(17,565)
Net debt at the end of the period	**(15,569)**	(34,549)

	As at 31 March 2019 £'000	Net cash £'000	Net non-cash flow £'000	As at 31 March 2020 £'000	Net cash flow £'000	Net non-cash flow £'000	As at 31 March 2021 £'000
Cash	**7,206**	(3,483)	(13)	**3,710**	1,567	(27)	**5,250**
RCF	**(19,432)**	7,000	(51)	**(12,483)**	12,500	(17)	**-**
Term Loan	**(363)**	212	-	**(151)**	212	(1,552)	**(1,491)**
Lease Liabilities	**(4,976)**	6,234	(26,883)	**(25,625)**	4,527	1,770	**(19,328)**
	(17,565)	9,963	(26,947)	**(34,549)**	18,806	174	**(15,569)**

Included in lease liabilities at 31 March 2021 are £15.1m of IFRS 16 lease liabilities that were previously classified as operating leases under IAS17 and £1.5m of term loans. Other movements reflect capital expenditure of £4.1m, £1.9m on dividends and £8.9m on exceptional items including £7.4m paid out under the restitution scheme partly funded through a £5.8m share issue.

During the year, the RCF was repaid in full and £12.5m of unutilised bank facility was cancelled, leaving a total facility at 31 March 2021 of £32m with a termination date of 30 June 2022. The facilities comprise a Revolving Credit Facility of £5m (£nil utilised at 31 March 2021) with a £20.0m accordion (£nil utilised at 31 March 2021) and a £7.0m Asset Financing Facility (£1.8m utilised at 31 March 2021).

Trade Debtors

In the year, focus remained on collecting legacy debt to improve the ageing profile. At the year-end, debt over 90 days old has reduced by 93% year on year, whilst debt greater than 180 days has reduced by 98%.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Current	**9,343**	10,993
1 to 30 days overdue	**600**	1,656
31 to 60 days overdue	**282**	593
61 to 90 days overdue	**21**	220
91 to 180 days overdue	**21**	288
> 180 days overdue	**1**	63
Gross trade debtors	**10,268**	13,813
Provision	**(1,104)**	(1,438)
Net trade debtors	**9,164**	12,375

Trade debtor days were 30 at 31 March 2021 compared to 38 at 31 March 2020.

Trade creditor days were 37 at 31 March 2021 compared to 40 as at 31 March 2020.

Financing

	31 March 2021			31 March 2020		
	Available	Drawn	Undrawn	Available	Drawn	Undrawn
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Committed						
- Revolving credit facility	5,000	-	5,000	17,500	12,483	5,017
- Term Loans	1,491	1,491	-	151	151	-
- Leases	19,328	19,328	-	25,625	25,625	-
	25,819	20,819	5,000	43,276	38,259	5,017
Uncommitted						
- Bank overdraft	-	-	-	5,000	-	5,000
- Accordion facility	20,000	-	20,000	20,000	-	20,000
- Asset financing facility	5,190	-	5,190	3,853	-	3,853
	25,190	-	25,190	28,853	-	28,853
Total borrowing facilities	**51,009**	20,819	30,190	72,129	38,259	33,870

Uncommitted facilities represent facilities available to the Group but which can be withdrawn by the lender and hence are not within the Group's control. When the asset financing facility is utilised a lease is created and hence there is no committed asset financing facility.

During the year, the Group cancelled £12.5m of unutilised facility reducing the committed level from £17.5m to £5.0m and thereby saving £95k in annualised commitment fees.

David Senior
Chief Financial Officer
15 July 2021

Consolidated statement of comprehensive income for the year ended 31 March 2021

	Note	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Revenue		**91,399**	87,485
Cost of sales		**(33,460)**	(32,297)
Gross Profit		**57,939**	55,188
Operating expenditure		**(49,448)**	(63,925)
Other operating income		**4,507**	-
Adjusted EBITDA[1]		**24,580**	20,604
Depreciation	5	**(3,408)**	(6,373)
Amortisation of intangibles	4	**(7,337)**	(7,449)
Depreciation of right of use assets	6	**(4,932)**	(2,441)
Exceptional items	2	**4,782**	(12,516)
Share-based payments		**(687)**	(562)
Operating profit/(loss)		**12,998**	(8,737)
Finance income		-	5
Finance costs		**(1,460)**	(1,881)
Profit/(Loss) on ordinary activities before taxation		**11,538**	(10,613)
Income tax (expense)/credit		**(2,311)**	13
Profit/(Loss) for the period attributable to owners of the parent		**9,227**	(10,600)

Other comprehensive income		
Items that may be classified to profit or loss:		
Currency translation differences	**103**	13
Deferred tax movement on share options	**(224)**	-
Total comprehensive profit/(loss) for the period	**9,106**	(10,587)
Earnings per share		
Basic earnings/(loss) per share	**6.01p**	(7.14)p
Diluted earnings/(loss) per share	**5.93p**	(7.14)p

The above consolidated income statement should be read in conjunction with the accompanying notes.

[1] For an explanation of the alternative performance measures used in this report, please refer to the appendix.

Consolidated statement of financial position as at 31 March 2021

	Note	**31 March 2021 £'000**	31 March 2020 £'000
Non-Current Assets			
Intangible assets	4	**65,929**	68,867
Tangible assets	5	**5,834**	15,736
Right-of-use assets	6	**18,787**	22,731
Deferred tax asset		**561**	1,482
		91,111	108,816
Current Assets			
Inventories		**1,061**	891
Trade and other receivables		**25,663**	23,261
Corporation tax receivable		**-**	346
Cash and short-term deposits		**5,250**	3,710
		31,974	28,208
Total assets		**123,085**	137,024
Current Liabilities			
Trade and other payables		**(22,459)**	(24,311)
Corporation tax payable		**(641)**	-
Borrowings		**(487)**	(12,598)
Leases		**(3,735)**	(3,528)
Provisions	3	**(574)**	(12,122)
		(27,896)	(52,559)
Non-current liabilities			
Deferred tax liability		**-**	-
Borrowings		**(1,004)**	(36)
Leases		**(15,593)**	(22,097)
Provisions		**(2,695)**	(2,531)
		(19,292)	(24,664)
Total liabilities		**(47,188)**	(77,223)
Net assets		**75,897**	59,801
Equity			
Called up share capital		**156**	149
Share premium account		**73,267**	65,734
Common control reserve		**(9,454)**	(9,454)

Own shares held in treasury	**(32)**	(724)
Retained earnings	**11,960**	4,096
Total Equity	**75,897**	59,801

The above consolidated financial information should be read in conjunction with the accompanying notes.

Consolidated cash flow statement for the year ended 31 March 2021

	Note	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Profit/(Loss) before taxation		**11,538**	(10,613)
Net finance costs		**1,460**	1,876
Operating profit/(loss)		**12,998**	(8,737)
Adjustment for non-cash items			
Depreciation and amortisation	**4,5,6**	**15,677**	16,263
Exceptional items	**2**	**(4,782)**	12,516
Share-based payments		**687**	562
Operating cash flow before exceptional items and movements in working capital		**24,580**	20,604
Cash costs of exceptional items		**(8,884)**	(817)
Operating cash flow before changes in working capital		**15,696**	19,787
Changes in working capital			
(Increase) / Decrease in inventories		**(15)**	(534)
Decrease /(Increase) in trade and other receivables		**4,432**	(1,779)
(Decrease)/Increase in trade and other payables		**(2,536)**	1,343
Cash generated from operations		**17,577**	18,817
Tax paid		**(149)**	(660)
Net cash generated from operating activities		**17,428**	18,157
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,541)**	(3,943)
Purchase of intangible fixed assets		**(1,397)**	(290)
Net cash used in investing activities		**(2,938)**	(4,233)
Cash flows from financing activities			
Dividends paid		**(1,868)**	(2,731)
Share buy-back		**-**	(724)
Disposal of treasury shares on exercise of share options		**494**	-
Cash received on exercise of share options		**36**	
Sale and leaseback		**1,036**	-
Interest paid		**(1,415)**	(1,825)
Repayment of leases		**(4,481)**	(5,127)
Repayment of borrowings		**(12,500)**	(7,000)
Issue of shares		**5,775**	-
Net cash used in financing activities		**(12,923)**	(17,407)
Net increase/(decrease) in cash and cash equivalents		**1,567**	(3,483)
Cash and cash equivalents at beginning of period		**3,710**	7,206
Effect of exchange rates		**(27)**	(13)
Cash and cash equivalents at end of the period		**5,250**	3,710

The accompanying notes form an integral part of this consolidated financial information.

[1] For an explanation of the alternative performance measures used in this report, please refer to the appendix.

Consolidated statement of changes in equity for the year ended 31 March 2021

	Share Capital	Share Premium	Common Control Reserve	Own Shares Held in Treasury	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	149	65,588	(9,454)	-	19,362	75,645
Adjustment on initial application of IFRS 16	-	-	-	-	(2,260)	(2,260)
Adjusted as at 1 April 2019	149	65,588	(9,454)	-	17,102	73,385
(Loss) for the period	-	-	-	-	(10,600)	(10,600)
Transactions with owners						
Share-based payments	-	-	-	-	484	484
Share buyback	-	-	-	(724)	-	(724)
Issue of new shares	-	146	-	-	(146)	-
Dividends paid	-	-	-	-	(2,731)	(2,731)
Other comprehensive income						
Currency translation differences	-	-	-	-	(13)	(13)
At 31 March 2020	149	65,734	(9,454)	(724)	4,096	59,801
Profit for the period	-	-	-	-	9,227	9,227
Transactions with owners						
Share-based payments	-	-	-	-	582	582
Issue of new shares	7	7,533	-	-	-	7,540
Dividends paid	-	-	-	-	(1,868)	(1,868)
Share option exercises	-	-	-	692	(198)	494
Other comprehensive income						
Deferred tax movement on share options	-	-	-	-	224	224
Currency translation differences	-	-	-	-	(103)	(103)
At 31 March 2021	**156**	**73,267**	**(9,454)**	**(32)**	**11,960**	**75,897**

The accompanying notes form an integral part of this consolidated financial information.

1) General information and basis of preparation

The consolidated financial statements have been prepared and approved by the directors in accordance with applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRS").

These audited results have been prepared on the basis of the accounting policies which are to be set out in Redcentric Plc's annual report and financial statements for the year ended 31 March 2021.

The consolidated financial statements of the Group for the year ended 31 March 2021 were prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("International Accounting Standards"). Whilst the financial information included in this preliminary announcement has been prepared on the basis of the requirements of International Accounting Standards in issue and effective at 31 March 2021, this statement does not itself contain sufficient information to comply with International Accounting Standards.

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides including the impact of COVID-19 on the operations and its financial resources, the Group and the Company will have sufficient funds to meet its liabilities as they fall due for that period.

The Directors forecasts have been built from the detailed Board approved budget for the year ending 31 March 2022. The forecasts include a number of assumptions in relation to order intake, renewal and churn rates and EBITDA margin improvements.

Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment presents a number of challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to, achieving forecast levels of order intake, the impact on customer confidence as a result of general economic conditions and Brexit, the potential impact of COVID-19 on the Group's key operating locations in the UK and India and achieving forecast margin improvements.

The uncertainty as to the future impact on the Group of the COVID-19 outbreak has been considered as part of the directors' consideration of the going concern basis of preparation. Thus far, the Group has not observed any material impact in trading performance due to COVID-19. However, due to the uncertainty over the duration and extent of the impact of COVID-19, the Directors have modelled a severe but plausible downside scenario when preparing the forecasts. The Directors have also considered the impact of the ongoing COVID-19 challenges in India on the employees and business operations.

The downside scenario assumes significant economic downturn over FY22, impacting new order intake, and an additional 3-month lockdown occurs from December 2021 to February 2022 with no new order intake during this 3-month period. In this scenario, recurring monthly order intake is forecast to reduce by 59% compared to FY21, product and services revenues reduce by 22% compared to FY21 and customer loss through insolvency increases (particularly in the retail, hospitality, and leisure sectors). Under the downside scenario modelled, the forecasts demonstrate that Group is expected to maintain sufficient liquidity. The Directors therefore remain confident that the Group has adequate resources to continue to meet its liabilities as and when they fall due within the period of at least 12 months from the date this Report.

The financial information set out in this preliminary announcement does not constitute the company's statutory financial statements for the years ended 31 March 2021 or 2020 but is derived from those financial statements. Statutory financial statements for 2020 have been delivered to the registrar of companies and those for 2021 will be delivered in due course. The auditors have reported on those financial statements; their reports were (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preliminary announcement will be published on the Company's website. The maintenance and integrity of the website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

2) Exceptional items

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Staff restructuring	**393**	465
Insurance adviser provision	**553**	-
Vacant property lease provisions net of costs	**-**	(141)
Onerous service contracts	**148**	1,155
Circuit termination charges	**4**	163
Restitution provision	**(2,172)**	11,429
Professional fees associated with the FCA Investigation	**57**	(555)
Lease modification	**649**	-
Business sale process	**93**	-
Profit upon sale of non-core business unit	**(4,507)**	-
	(4,782)	12,516

Staff restructuring costs relate to a rationalisation programme principally impacting the Delivery department.

The insurance adviser cost represents a provision booked for costs repayable on adviser fees in relation to the FCA investigation.

The Theale office was closed during the year to 31 March 2019 and a £553k provision created to cover anticipated expenditure up to the end of the contractual term to 29th September 2023. Early surrender of the lease negotiated during the prior year resulting in a £156k provision release offset by £15k of costs.

The onerous service contract cost relates to the costs associated with third party service arrangements no longer utilised (or in the process of being ceased) by the business.

Circuit termination charges relate to cancellation costs incurred on unused circuits / connections cancelled during the year, as part of the Group's network rationalisation review.

The Restitution Scheme provision from the prior year constitutes the amount that had been agreed with the FCA to settle with net purchasers of ordinary shares in the Company between 9 November 2015 and 7 November 2016. During the year the scheme was closed resulting in a net £2,172k provision release.

Lease modification costs represent the impact of the re-negotiation of the lease of the London data centre.

Business sale process costs were incurred as a result of the sales process during the year which concluded during the year.

Profit upon sale of non-core business unit is net credit resulting from the sale of the assets and knowhow for the provision of maintenance services to EDF nuclear power stations to Thales UK Limited. The total consideration received was £5,750,000 in cash. No cash or cash equivalent was within the business over which control was lost. Goodwill of £1,185,000 was disposed of as part of the transaction.

3) Provisions

	Restitution Scheme provision £'000	Scheme fees provision £'000	Dilapidations provision £'000	Onerous service contract provision £'000	Total provision £'000
At 1 April 2019	-	-	496	534	1,030
Additional provisions created during the period	11,429	-	2,030	833	14,292
Released during the period	-	-	-	(156)	(156)
Utilised during the period	-	-	-	(513)	(513)
At 31 March 2020	11,429	-	2,526	698	14,653
Additional provisions created during the period	130	553	333	21	1,037
Released during the period	(2,172)	-	(164)	(193)	(2,529)
Utilised during the period	(9,387)	-	-	(505)	(9,892)
At 31 March 2021	**-**	**553**	**2,695**	**21**	**3,269**
Analysed as:					
Current	-	553	-	21	574
Non-current	-	-	2,695	-	2,695
	-	**553**	**2,695**	**21**	**3,269**

The Restitution Scheme provision related to the settlement agreed with the FCA settlement in respect of certain historical accounting misstatements that were uncovered by the Company in November 2016. As part of this settlement, the Company agreed to implement a Restitution Scheme to compensate net purchasers of ordinary shares in the Company between 9 November 2015 and 6 November 2016. The amount represented management's best estimate of the cost to the Group. The uncertainty in the value arose as a result of the fact that claimants have the option to opt for a cash payment, a share payment or a split payment. All outflows associated with the Restitution Scheme were made by January 2021 with the remaining balance released.

The Scheme fees provision represents costs repayable on adviser fees in relation to the FCA investigation.

The dilapidations provision represents the estimated costs associated with returning certain leasehold properties to the original condition upon exiting the lease. Given there is estimation in determining the quantum of provisions to be recognised a third-party expert was engaged to determine appropriate estimates.

The onerous service contract provision relates to the costs associated with third party services arrangements no longer utilised by the business. All remaining outflows will occur within 1 year.

4) Intangible Assets

	Goodwill	Customer contracts and related relationships	Trademarks	Software and licences	Total

	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	43,269	62,284	275	6,331	112,159
Reclassification to right of use (note 6)				(1,240)	(1,240)
Adjusted 1 April 2019	43,269	62,284	275	5,091	110,919
Additions	-	-	-	578	578
At 31 March 2020	43,269	62,284	275	5,669	111,497
Reclassification from property plant & equipment (note 5)	-	-	-	4,434	4,434
Additions	-	-	-	1,677	1,677
Disposals	(1,185)	-	-	(130)	(1,315)
Exchange differences	-	-	-	(1)	(1)
At 31 March 2021	**42,084**	**62,284**	**275**	**11,649**	**116,292**
Accumulated amortisation and impairment					
At 1 April 2019	-	32,065	275	4,017	36,357
Reclassification to right of use (note 6)	-	-	-	(788)	(788)
Adjusted 1 April 2019	-	32,065	275	3,229	35,569
Charged in year	-	6,252	-	1,197	7,449
Write-off	-	-	-	64	64
At 31 March 2020	-	38,317	275	4,490	43,082
Charged in year	-	6,252	-	1,085	7,337
Disposals	-	-	-	(56)	(56)
At 31 March 2021	**-**	**44,569**	**275**	**5,519**	**50,363**
Net book value					
At 31 March 2021	**42,084**	**17,715**	**-**	**6,130**	**65,929**
At 31 March 2020	43,269	23,967	-	1,179	68,415
At 31 March 2019	43,269	30,219	-	2,314	75,802

Customer contracts have a weighted average remaining amortisation period of 3 years and 11 months (FY20: 4 years and 11 months).

During the year, the Group's new ERP system, Microsoft Dynamics 365 went live. As a result, and in the context of evolving guidance in relation to configuration or customisation costs in a cloud computing arrangement, £4,434,000 of asset previously recognised within tangible assets was reclassified to intangible assets.

On initial application of IFRS 16 'Leases', the Group continued to present assets that were previously recognised under IAS17 as finance leases within property plant and equipment and intangible assets. The carrying value at 31 March 2020 was £2,826,000 within property plant and equipment and £452,000 within intangible assets. In the current year, all right of use assets have been presented separately in note 17 and therefore these amounts have been reclassified along with the assets that were newly recognised from 1 April 2019 on initial application of IFRS 16.

Impairment tests for goodwill and other intangibles

The Company has assessed that the trading operations of the business constitute only one cash generating unit.

Intangible assets are reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is tested annually for impairment and, to confirm whether an impairment of the goodwill is necessary, management compares the carrying value to the value in use.

The value in use has been calculated using budgeted cash flow projections to the period of 31 March 2023, extrapolated for a further three years by an average annual revenue growth rate of 1.5% (FY20: 2.0%). A terminal value based on a perpetuity calculation using a 0.0% real growth rate was then added (FY20: 0.0% growth).

In addition to revenue growth, the key assumptions used in the impairment testing were as follows:

- Gross margin percentage reducing to 60.5% (FY20: 60.5%)
- Operating costs increasing by 1.5% (FY20: 1.0%)
- Pre-tax discount rate of 8.3% (FY20: 9.2%) (post tax rate of 7.0% (FY20: 8.6%) estimated using a weighted average cost of capital, adjusted to reflect current market assessments of the time value of money and the risks specific to the Group; and
- Terminal growth rate percentage of 0.0% (FY20: 0.0%).

A reasonably possible adverse movement in any of the above key assumptions made would not give rise to impairment.

5) Property, plant and equipment

	Leasehold improvements £'000	Office fixtures and fittings £'000	Vehicles & computer equipment £'000	Total £'000
Cost				
At 1 April 2019	13,734	1,494	33,987	49,215
Reclassification to right of use (note 6)	(55)	(23)	(5,191)	(5,269)
Adjusted balance at 1 April 2019	13,679	1,471	28,796	43,946
Additions	134	129	3,711	3,974
Disposals	(6,285)	(569)	(6,500)	(13,354)
Exchange differences	-	2	(14)	(12)
At 31 March 2020	7,528	1,033	25,993	34,554
Reclassification to Intangibles (note 4)	-	-	(4,434)	(4,434)
Additions	404	442	940	1,786
Disposals	(129)	(103)	(816)	(1,048)
Exchange differences	-	(9)	(24)	(33)
At 31 March 2021	**7,803**	**1,363**	**21,659**	**30,825**
Accumulated depreciation				
At 1 April 2019	10,123	1,095	19,864	31,082
Reclassification to right of use (note 6)	(6)	(8)	(2,428)	(2,442)
Adjusted balance at 1 April 2019	10,117	1,087	17,436	28,640
Charged in year	626	135	5,612	6,373
On disposals	(6,285)	(569)	(6,500)	(13,354)
Exchange differences	-	-	(14)	(14)
At 31 March 2020	4,458	653	16,534	21,645
Charged in year	458	148	2,802	3,408
On disposals	-	-	(32)	(32)
Exchange differences	-	(8)	(22)	(30)
At 31 March 2021	**4,916**	**793**	**19,282**	**24,991**
Net book value				
At 31 March 2021	**2,887**	**570**	**2,377**	**5,834**
At 31 March 2020	3,070	380	9,459	12,909
At 31 March 2019	3,611	399	14,123	18,133

During the year, the Group's new ERP system, Microsoft Dynamics 365 went live. As a result, and in the context of evolving guidance in relation to configuration or customisation costs in a cloud computing arrangement, £4,434,000 of asset previously recognised within tangible assets was reclassified to intangible assets.

On initial application of IFRS 16 'Leases', the Group continued to present assets that were previously recognised under IAS17 as finance leases within property plant and equipment and intangible assets. The carrying value at 31 March 2020 was £2,826,000 within property plant and equipment and £452,000 within intangible assets. In the current year, all right of use assets have been presented separately in note 6 and therefore these amounts have been reclassified along with the assets that were newly recognised from 1 April 2019 on initial application of IFRS 16.

6) Right of use assets

Most of the Group's right-of-use assets are associated with our leased property portfolio.

	Land and buildings £'000	Vehicles & computer equipment £'000	Total £'000
Cost			
At 1 April 2019	-	-	-
Recognition of ROU asset on initial application of IFRS 16	27,858	736	28,594
Reclassification from Property plant and equipment (note 5)		5,269	5,269
Reclassification from Intangible (note 4)		1,240	1,240
Adjusted balance at 1 April 2019	27,858	7,245	35,103
Additions	-	2,370	2,370
Remeasurement	2,031	-	2,031
At 31 March 2020	29,889	9,615	39,504
Additions		2,092	2,092
Remeasurement	(4,383)	-	(4,383)
At 31 March 2021	**25,506**	**11,707**	**37,213**
Accumulated depreciation			
At 1 April 2019	-	-	-
Recognition of ROU asset on initial application of IFRS 16	7,823	-	7,823
Reclassification from Property plant and equipment (note 16)		2,442	2,442
Reclassification from Intangible (note 4)	-	788	788
Adjusted balance at 1 April 2019	7,823	3,230	11,053
Charged in year	1,898	543	2,441
At 31 March 2020	9,721	3,773	13,494
Charged in year	2,540	2,392	4,932
At 31 March 2021	**12,261**	**6,165**	**18,426**
Net book value			
At 31 March 2021	**13,245**	**5,542**	**18,787**
At 31 March 2020	20,168	5,842	26,010

Of the £2,092k right of use assets acquired in the year, £1,036k were funded as part of the sale and leaseback transaction and the remaining £1,056k funded using other leases (FY20: £2,370k).

On initial application of IFRS 16 Leases, the Group continued to present assets that were previousl y recognised under IAS17 as finance leases within property plant and equipment and intangible assets. The carrying value at 31 March 2020 was £2,826,000 within property plant and equipment and £452,000 within intangible assets. In the current year, all right of use assets have been presented separately in this note and therefore these amounts have been reclassified along with the assets that were newly recognised from 1 April 2019 on initial application of IFRS 16.

The Group entered into a sale and lease transaction with Lombard Technology Services Limited for various equipment, software and ancillary costs used and incurred in the business. This was entered into as part of the Group's combined debt strategy. The leaseback has a remaining term of five years at the date of application.

The remeasurement represents:

- the modification to the London site lease incorporating a one-way break clause at March 2030 resulting in a reduction in the lease liability of £4.2m, a reduction in the asset of £4.7m an increase in the dilapidation provision of £0.2m and an exceptional charge of £0.7m;
- the modification to the Cambridge site lease following the decision not to activate the break clause resulted in an increase in the lease liability of £0.3m and an increase in the right-of-use asset of £0.3m.

Appendix 1 - Alternative Performance Measures

This preliminary announcement contains certain financial measures ("APMs") that are not defined or recognised under IFRS but are presented to provide readers with additional financial information that is evaluated by management and investors in assessing the performance of the Group.

This additional information presented is not uniformly defined by all companies and may not be comparable with similarly titled measures and disclosures by other companies. These measures are unaudited and should not be viewed in isolation or as an alternative to those measures that are derived in accordance with IFRS.

Recurring monthly revenue

Recurring revenue is the revenue that annually repeats either under contractual arrangement or by predictable customer habit. It highlights how much of the Group's total revenue is secured and anticipated to repeat in future periods, providing a measure of the financial strength of the business. It is a measure that is well understood by the Group's investor and analyst community and is used for internal performance reporting.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported revenue	**91,399**	87,485
Non-recurring revenue	**(9,502)**	(9,868)
Recurring revenue	**81,897**	77,617

Recurring revenue makes up 90% of total revenue in FY21, an increase of 1% from prior year (89%).

Maintenance Capital Expenditure

Maintenance capital expenditure is the capital expenditure that is incurred in support of the Group's underlying infrastructure rather than in support of specific customer contracts.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported capital expenditure incurred	**4,522**	6,922
Customer capital expenditure incurred	**(1,927)**	(2,470)
Maintenance capital expenditure incurred	**2,595**	4,452

Of the £4.5m capital expenditure incurred, £2.9m was paid in cash during the year. Following the completion of network and platform upgrades in FY20 maintenance capital expenditure has reduced by £1.8m to £2.6m. We will continue to monitor the businesses capital requirements and invest in the business when appropriate.

Customer capital expenditure has decreased by £0.5m to £1.9m reflecting the delay in large scale IT projects.

Adjusted EBITDA

Adjusted EBITDA is EBITDA excluding exceptional items (as set out in note 2), share-based payments and associated National Insurance. The same adjustments are also made in determining the adjusted EBITDA margin. Items are only classified as exceptional due to their nature or size, and the Board considers that this metric provides the best measure of assessing underlying trading performance.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported operating profit/(loss)	**12,998**	(8,737)
Amortisation of intangible assets arising on business combinations	**6,252**	6,252
Amortisation of other intangible assets	**1,085**	1,197
Depreciation of tangible assets	**3,408**	6,373
Depreciation of tangible ROU assets	**4,932**	2,441
EBITDA	**28,675**	7,526
Exceptional items	**(4,782)**	12,516
Share-based payments and associated National Insurance	**687**	562
Adjusted EBITDA	**24,580**	20,604

Adjusted EBITDA increased to £24.6m, £4.0m higher than prior year, with adjusted EBITDA margin of 27% (up from 24%). Of this increase, £2.5m relates to revenue growth and £0.2m relates to gross margin improvements with the remaining increase representing operational efficiencies.

Adjusted operating profit

Adjusted operating profit is operating loss excluding amortisation on acquired intangibles, exceptional items and share-based payments. The same adjustments are also made in determining the adjusted operating profit margin and in determining adjusted earnings per share ("EPS"). The Board considers this adjusted measure of operating profit to provide the best metric of assessing underlying performance as it excludes exceptional items and the amortisation of acquired intangibles arising from business combinations which varies year on year dependent on the timing and size of any acquisitions.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported operating profit/(loss)	**12,998**	(8,737)
Amortisation of intangible assets arising on business combinations	**6,252**	6,252
Exceptional items	**(4,782)**	12,516
Share-based payments	**687**	562
Adjusted operating profit	**15,155**	10,593

The EPS calculation further adjusts for the tax impact of the operating profit adjustments, presented in note 13.

Adjusted operating costs

Adjusted operating costs are operating costs less depreciation, amortisation, exceptional items, share-based payments and foreign exchange.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported operating expenditure	**49,448**	63,925
Depreciation of ROU assets	**(4,932)**	(2,441)
Depreciation of tangible assets	**(3,408)**	(6,373)
Amortisation of intangibles arising on business combinations	**(6,252)**	(6,252)
Amortisation of other intangible assets	**(1,085)**	(1,197)
Exceptional items	**4,782**	(12,516)
Other operating income	**(4,507)**	-
Share-based payments	**(687)**	(562)
Adjusted operating expenditure	**33,359**	34,584

Adjusted cash from operations

Adjusted cash from operations is reported cash from operations plus the cash cost of exceptionals.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported cash from operations	**17,577**	18,817
Cash costs of exceptional items	**8,884**	817
Adjusted cash from operations	**26,461**	19,634

Adjusted net cash/(debt)

Adjusted net cash/debt is reported net debt less supplier loans and less lease liabilities that would have been classified as operating leases under IAS 17.

	Year ended 31 March 2021	Year ended 31 March 2020

	£'000	£'000
Reported net debt	**(15,569)**	(34,549)
Supplier loans	**1,491**	151
Lease liabilities that would have been classified as operating leases under IAS 17	**15,058**	21,057
Adjusted net cash/(debt)	**980**	(13,341)

David Senior
Chief Financial Officer
15 July 2021