Redcentric plc

Interim results for the six months ended 30 September 2024 (unaudited)

Contents	**Page**

Redcentric plc

Responsibility Statement

We confirm that to the best of our knowledge the condensed set of Financial Statements has been prepared in accordance with IAS 34 *'Interim Financial Reporting'*.

By order of the Board of Directors (the "Board") of Redcentric plc ("Redcentric" or "Company"),

Chief Executive Officer	Chief Financial Officer
Peter Brotherton	**David Senior**
20 November 2024	20 November 2024

Redcentric plc

Interim Management Report

To the members of the Redcentric plc group of companies (the "Group")

This Interim Management Report ("IMR") has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the Directors of the Company in good faith based on the information available to them up to the time of their approval of this IMR, but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

This IMR has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant.

Chief Executive Officer's review

Operational Review

H1 FY25 is the first reporting period to show the full benefits of the acquisitions undertaken in FY22 and FY23. A return to a more normalised energy market, along with benefits from the energy conservation and integration measures undertaken in FY24 have all led to impressive financial results for the 6 months ended 30 September 2024. Underlying revenues are up 9%, adjusted EBITDA is up 25% and adjusted EBITDA less lease payments (including interest) is up 44%.

These results have been achieved against a backdrop of continued inflationary cost pressures and significant license cost increases. Actions taken during the course of H1 FY25 will alleviate some of these cost pressures and drive further increases in profitability in H2 FY25 and beyond.

Following a successful six months for sales at the end of the last financial year, the macro events associated with the global political elections and the domestic UK budget led to a more cautious and challenging sales environment, however the pipeline is returning to a more healthy state providing cautious optimism for the remainder of the year.

During the first six months of the financial year, we have focused on four key areas:

- Delivering continued organic revenue growth;
- Improving the operational efficiency of the Group;
- Further upgrades to our data centres; and
- Separation of the Data Centre business to create two autonomous business units, a Managed Service Provider ("MSP") business and a Data Centre ("DC") business.

We are delighted with the progress we have made in the period against each of these objectives.

Organic growth

The financial results for the six months ended 30 September 2024 demonstrate strong organic growth, with revenues up by 6% on the equivalent period last year. Adjusting H1 FY24 for the Sungard short-term contracts that terminated in FY24 and also the customers that were not retained following the closure of the Harrogate data centre, underlying organic revenue growth was even more impressive at 9%. This growth comes following a very strong period for sales during the last six months of the previous financial year but also against a challenging environment.

During the period under review a more cost-conscious approach from customers was noted, which has manifested in tougher renewal discussions and some customers downgrading their renewal requirements. New business sales in the period were also delivered against a backdrop of delays in decision making by customers as a result of macro uncertainty specifically surrounding the UK and USA elections and the caution around the UK's Autumn 2024 Budget. Offsetting this tougher sales environment has been a strong performance in VMWare license sales, albeit at the lower margins associated with software sales.

Post the UK budget and UK and USA elections, the business is encouraged by more positive client engagement and expect the second half of the year to show a return to a more normalised sales environment.

Whilst the business is yet to secure a sizeable Artificial Intelligence (AI) contract, the market for data centre space continues to present largescale opportunities for hosting AI cloud platforms. The Group is positioning to host this growth opportunity and during the first half of the year have made significant investments in establishing a high-density hall in the London West facility and this, along with c.10MW of reserved power, means that we are well placed to deliver to the anticipated increased AI driven demand.

Operational efficiency

Consolidation of cloud platforms

As a result of the Sungard and 4D Data Centre Limited ("4D") acquisitions, the Group inherited a large number of cloud and network platforms. Many of these platforms are either replicated elsewhere in the group or can be consolidated into fewer larger platforms. We are currently halfway through the consolidation programme with eventual annualised cost savings of £1m anticipated. Approximately half of these savings will be seen in the second half of this financial year, with the full benefit to be seen in FY26.

Staff efficiencies

With the acquisition integration work largely complete, at the end of H1 FY25 we carried out a review of staffing levels to ensure that the cost base was rightsized and that any mature acquired products were profit making. As a result of this review headcount was reduced by thirty-two, with associated annualised cost reductions of £1.6m.

Set against these savings are £0.40m of additional annualised costs in respect of the new DC management team (as detailed below), £0.10m of annualised costs in respect of two additional non-executive directors and one-off costs related to the ongoing new Chief Executive Officer search.

The net effect of these changes will be that annualised run rate staff costs have been reduced by £1.0m, with H2 FY25 costs expected to be £0.4m lower than H1 FY25.

Leases

The half year numbers reflect the benefit of the closure of the Harrogate data centre and the downsizing of the Woking footprint. The Harrogate data centre was closed on 24 March 2024 and so H1 FY25 includes 50% of the annualised saving of £1.5m (£1.1m leases and £0.4m operating costs).

Data centre upgrades

During the first half of the financial year, the Group procured new UPS units at a cost of £1.5m. These are currently being installed and will replace 50% of the existing installed units. The remaining 50% will be replaced in FY26. UPS units typically have a life of 15 years, delivering long term improvements to client stability and service.

Also scheduled for FY26 is a refurbishment of the London West reception, meeting rooms and customer refreshment areas, ensuring the client experience reflects the premium technical quality of the facility. The higher levels of maintenance capital expenditure in the former Sungard facilities over this three-year period reflects years of underinvestment by the former owners and was anticipated within the acquisition price.

By the end of FY26, the Group will have brought the former Sungard data centres fully up to date, with future medium term capex investments driven by customer needs rather than maintenance needs. All the improvements made during the course of FY24, FY25 and FY26 will position the Group to meet the high demands of enterprise and AI customers.

Creating a separate data centre business

As articulated at the time of our FY24 final results, the board took the decision to create two autonomous business units by separating out the DC business and managing the two distinct elements within the Group: the DC business and an MSP business. The background to this strategy was that following the Sungard and 4D acquisitions, data centre revenues had moved from being a relatively small part of the business to circa a quarter of revenues and this, along with a buoyant data centre market, merited the establishment of a dedicated and focused management team.

In addition, the DC and MSP businesses have very different financial and valuation metrics. By splitting out two businesses, the Board believes this will provide greater transparency to the market on the performance and profile of each core operating business.

This initiative is progressing well with a new management team (Wholesale Sales Director, Retail Sales Director, Product Director, Operations Director and Finance Director) now in place. A new subsidiary, Redcentric Data Centres Limited, has been established with the separation of the trade and assets into this new subsidiary on course to be completed before the end of the financial year. At the time of publishing this report the Group continues to comprise a single reporting segment and doesn't internally report on these two segments separately. The Group's intention is to have segmental reporting in place at the time the FY25 full year results are released.

Financial Review

	Six months to 30 Sept 2024 "(H1 FY25)" Unaudited	**Six months to 30 Sept 2023 "(H1 FY24)" Unaudited**	Change
Recurring revenue[1]	**£78.3m**	**£74.8m**	4.6%
Non-recurring revenue[1]	**£8.5m**	**£7.2m**	18.3%
Total revenue	**£86.8m**	**£82.0m**	5.8%
Gross profit *restated*	**£50.6m**	**£45.2m**	12.0%
*Gross margin *restated*	***58.3%***	***55.1%***	3.2bps
*Staff costs *restated*	***£19.3m***	***£18.7m***	(3.6%)
Other operating costs	***£13.1m***	***£11.9m***	(10.3%)
Adjusted operating costs[1] *restated*	**£32.4m**	**£30.6m**	(5.8%)
Adjusted EBITDA[1]	**£18.2m**	**£14.5m**	25.2%
Adjusted EBITDA margin[1]	***21.0%***	***17.7%***	3.3bps
Reported operating profit	**£6.4m**	**£2.0m**	225.5%
Reported profit/(loss) before tax	**£3.6m**	**(£0.7m)**	598.5%
Adjusted basic earnings per share[1+]	**2.86p**	**1.39p**	105.5%
Adjusted net debt[1]	**(£39.9m)**	**(£41.6m)**	4.0%
Reported net debt	**(£66.6m)**	**(£74.7m)**	10.8%

[1] This report contains certain financial alternative performance measures ("APMs") that are not defined or recognised under International Financial Reporting Standards ("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 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 APMs used in these results and reconciliations to their most directly related Generally Accepted Accounting Principles ("GAAP") measure, please refer to page 8.

** Restated to reflect the reallocation of data centre electricity costs and contract acquisition asset amortisation from operating costs into cost of sales. See Note 15 for further details.*

[+] H1 FY24 restated to correct notional tax charge. See Note 9 for further details.

Percentage change calculated on absolute values.

Overview

All of the financial metrics demonstrate excellent progress and the H1 FY25 numbers are the first to fully reflect the benefits of the acquisitions undertaken in FY22 and FY23.

Revenue

Overall, recurring revenue increased by 4.6% from £74.8m in H1 FY24 to £78.3m in H1 FY25. Excluding the revenue from cancelled Sungard short-term contracts that concluded in FY24 and the one-off customer losses from our exit from the Harrogate data centre, recurring revenue has grown 8.0%. This growth reflects the impact of the VMware market positioning following selection as a Pinnacle partner by Broadcom, coupled with core business organic growth.

Non-recurring revenues of £8.5m are up from £7.2m on H1 FY24 reflecting strong one-off sales effort in H1 FY25.

Gross profit

Gross profit, restated to reflect the re-presentation of electricity costs and contract acquisition asset amortisation as a cost of sale rather than an operating cost, increased by £5.4m from £45.2m in H1 FY24 to £50.6m in H1 FY25 primarily reflecting the expected electricity savings from reduced prices achieved from historic forward purchasing and volume reductions from FY24 efficiency measures and consolidation of the data centre estate.

Operating costs

Staff costs

Costs in relation to the amortisation of the contract acquisition asset have been reallocated to cost of sales in the current year, and the prior period restated accordingly (see Note 15). Staff costs from H1 FY24 to H1 FY25 increased by £0.7m reflecting inflationary pay increases and a degree of staff investment to deliver specific objectives including the data centre business separation.

Other costs

Other costs have increased by £1.2m, primarily impacted by Broadcom's VMware platform pricing model changes, coupled with inflationary pressures in core IT platforms and increasing regulatory costs within the IT services market.

Capital expenditure

Gross capital expenditure in the six months to 30 September 2024 was £5.0m, comprising:

- Customer capex of £3.0m
- Maintenance capex of £2.0m

Of the £5.0m gross capex, £4.9m was paid in cash and £0.1m was covered by lease arrangements.

Adjusted net debt

Adjusted net debt has decreased by £2.1m to £39.9m at 30 September 2024 (31 March 2024: £42.0m) primarily reflecting:

- Adjusted EBITDA of £18.2m, less
- Lease repayments of £4.5m
- Negative working capital movements of £1.8m
- Exceptional costs of £0.9m
- Capital expenditure of £5.0m
- Interest costs of £2.0m
- Dividends of £1.9m

Acquisition strategy

The Group adopts an opportunistic corporate transaction strategy, evaluating opportunities that would enhance the long term prospects of the business, while managing the potential for monetization events within an expanding and attractive industry segment.

During this financial period, H1 FY25, there was exceptional costs related to corporate activity of £0.3m

UK Autumn Budget 2024

As a result of the UK Autumn Budget 2024, the increases in employer national insurance we anticipate annualised staff costs to increase by circa £0.7m effective from 1 April 2025.

The increase in minimum wage mandated in the budget will add a further £0.1m to staff costs.

Dividend

The final dividend of 2.4p, that was declared in August 2024 when we released the final results, will be paid on 24 January 2025 to shareholders on the register at the close of business on 13 December 2024, with the shares going ex-dividend on 12 December 2024.

With these results, we announce the intention to pay an interim dividend payment of 1.2p per share. This will be paid on 25 April 2025 to shareholders on the register at the close of business on 14 March 2025, with the shares going ex-dividend on 13 March 2025. The last date for dividend reinvestment plan (DRIP) elections is 28 March 2025.

During the period, the Board has become aware that the Company's final dividend for FY23 and the interim dividend for FY24 did not meet the technical requirements of the Companies Act 2006. While the Group as a whole had sufficient distributable reserves at all times, the level of distributable reserves in the Company has since been determined to be insufficient at the time of the payment of the FY23 final dividend and the FY24 interim dividend, as the calculation of the requisite distributable reserves had not reflected the consideration paid for shares held in treasury by the Company. This also resulted in a consequential breach of the net assets restriction in the Companies Act 2006. In order to rectify the situation, the Company intends to propose resolutions at the next shareholder general meeting to approve: (i) deeds of release between the Company and each of its shareholders and directors, and (ii) the appropriation of the shortfall in distributable reserves, in line with the actions taken by many other listed companies. The Company has taken steps to ensure that this issue does not arise again in the future.

Board changes

On 26 September 2024, Nick Bate stood down from the Board as Chairman of the Company and as Non-Executive Director. Our thanks and best wishes go to Nick for his three years of service and for seeing the Company through a period of rapid growth and change.

On 27 September 2024 Richard McGuire was appointed as Chairman and Non-Executive Director. Richard brings a wealth of experience in corporate finance matters and the technology sector.

On 1 November 2024 John Radziwill was appointed as a Non-Executive Director (non-independent) of the Company. John is a representative of ND Capital Investments Limited ("ND Capital"), one of the Company's largest investors.

With our FY24 final results, The Group announced that Peter Brotherton had informed the Board of his intention to retire and stand down from his position of Chief Executive Officer and Director of the Company. The search for his replacement is currently underway. In order to achieve a smooth handover and transitionary period, Peter has agreed with the Company to be available to the business, as required, to 30 June 2025.

Summary and outlook

The significant improvement in all key profit measures in the first half of this year is a demonstration of the success of the Company's acquisition strategy. The Sungard and other businesses that were acquired in FY22 and FY23 have now been fully integrated with all the anticipated synergies and cost savings delivered.

Adjusted organic growth for the Group in H1 has been good following a strong end to the previous financial year. The political uncertainty and general economic backdrop in the first half of this year has led to slower order intake and whilst our sales pipeline is starting to return to more normal levels, H2 bookings are unlikely to meaningfully convert into revenue growth until next financial year. As a result, we are cautiously forecasting a broadly flat H2 FY25 in terms of revenue and gross profit, but an improved profit performance arising from c.£0.9m of cost savings.

Overall this would represent very considerable progress with full year revenues up circa 7% and adjusted EBITDA in excess of 30% on the prior year FY24 numbers.

The separation of the Data Centre and Managed Services businesses will provide investors with greater clarity on the performance and operating metrics of two very distinct businesses, both of which have exciting growth prospects, albeit driven by different factors.

Chief Financial Officer's Review

Financial Highlights

	Six months to 30 Sept 2024 "(H1 FY25)" Unaudited	Six months to 30 Sept 2023 "(H1 FY24)" Unaudited	Change
Recurring revenue[1]	**£78.3m**	**£74.8m**	4.6%
Non-recurring revenue[1]	**£8.5m**	**£7.2m**	18.3%
Total revenue	**£86.8m**	**£82.0m**	5.8%
Gross profit *restated*	**£50.6m**	**£45.2m**	12.0%
*Gross margin *restated*	***58.3%***	***55.1%***	3.2bps
*Staff costs *restated*	***£19.3m***	***£18.7m***	(3.6%)
Other operating costs[1]	***£13.1m***	***£11.9m***	(10.3%)
Adjusted operating costs[1] *restated*	**£32.4m**	**£30.6m**	(5.8%)
Adjusted EBITDA[1]	**£18.2m**	**£14.5m**	25.2%
Adjusted EBITDA margin[1]	***21.0%***	***17.7%***	3.3bps
Reported operating profit	**£6.4m**	**£2.0m**	225.5%
Reported profit/(loss) before tax	**£3.6m**	**(£0.7m)**	598.5%
Adjusted earnings per share[1+]	**2.86p**	**1.39p**	105.5%
Adjusted net debt[1]	**(£39.9m)**	**(£41.6m)**	4.0%
Reported net debt	**(£66.6m)**	**(£74.7m)**	10.8%

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[+] H1 FY24 restated to correct notional tax charge. See Note 9 for further details.

Percentage change calculated on absolute values.

Financial comments

- Total revenue grew by 5.8% to £86.8m (H1 FY24: £82.0m) with recurring revenue of £78.3m (H1 FY24: £74.8m), reflecting the impact of the VMware market positioning following selection as a Pinnacle partner by Broadcom, coupled with core business organic growth.
- Recurring revenue remains at solid at c. 90.2% (H1 FY24: 91.2%) of total revenue, reflecting core stability and stronger growth in one-off sales in H1 FY25.
- Restated gross profit increased by £5.4m (12.0%) to £50.6m (H1 FY24: £45.2m) benefitting from reduced electricity cost comparable.
- Adjusted EBITDA at £18.2m (H1 FY24: £14.5m) and adjusted EBITDA margins were strong reflecting higher revenue and lower energy costs, partially offset by increases in operating costs related to inflationary pressures on core IT platforms and increased regulatory costs.

- Reported operating profit increased to £6.4m (H1 FY24: £2.0m) as a result of the above impacts, coupled with a reduction in exceptional costs - H1 FY24 contained significant investment and integration activity, benefitting the Group now and going forward.
- Reported profit/loss before tax increased by £4.3m to a profit of £3.6m (H1 FY24: loss of £0.7m).
- Net debt has decreased by £5.7m since 31 March 2024 to £66.6m (31 March 2024: £72.4m), reflecting the improved trading performance and its impact on cash generation.
- Excluding leases previously classified as operating leases under IAS17, net debt was £39.9m (31 March 2024: £42.0m).
- The Group is delighted to announce an Interim dividend of 1.2p per share (H1 FY24: 1.2p per share).

Alternative Performance Measures

This Interim report contains certain alternative performance 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 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.

While reported IFRS measures for 31 March 2024 are audited, the alternative performance measures detailed in this section and which are not defined or recognised under IFRS are unaudited for 31 March 2024.

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.

	Six months to 30 Sept 2024 Unaudited £'000	**Six months to 30 Sept 2023 Unaudited £'000**	Year ended 31 March 2024 Unaudited £'000
Reported revenue	**86,785**	**81,998**	163,150
Non-recurring revenue	**(8,505)**	**(7,188)**	(14,059)
Recurring revenue	**78,280**	**74,810**	149,091

Adjusted EBITDA

Adjusted EBITDA is EBITDA excluding exceptional items (as set out in Note 6), share-based payments and associated National Insurance. Items are only classified as exceptional due to their nature or size.

	Six months to 30 Sept 2024 Unaudited £'000	Six months to 30 Sept 2023 Unaudited £'000	Year ended 31 March 2024 Unaudited £'000
Reported operating profit	**6,400**	**1,966**	852
Amortisation of intangible assets arising on business combinations	**1,083**	**3,225**	5,229
Amortisation of other intangible assets	**498**	**317**	781
Depreciation of property, plant and equipment	**3,787**	**2,776**	6,089
Depreciation of right-of-use assets	**5,076**	**5,854**	11,777
EBITDA	**16,844**	**14,138**	24,728
Exceptional income	**-**	**(2,100)**	(2,100)
Exceptional costs (comprised of):	**824**	**2,000**	4,550
Acquisition fees	**319**	**-**	350
Integration costs	**113**	**2,000**	3,467
Restructuring costs	**392**	**-**	733
Share-based payments and associated National Insurance	**531**	**503**	1,138
Adjusted EBITDA	**18,199**	**14,541**	28,316

Adjusted cash generated from operations

Adjusted cash generated from operations is reported cash generated from operations plus the cash cost of exceptional items. As the Group has been involved in acquisitions and has had other significant, non-repeatable cash impacting items, this measure allows investors to see the cash generated from operations excluding these items which are one-off by nature therefore will not repeat in future years.

	Six months to 30 Sept 2024 Unaudited £'000	Six months to 30 Sept 2023 Unaudited £'000	Year ended 31 March 2024 Unaudited £'000
Reported cash from operations	**15,483**	**8,357**	23,159
Cash costs of exceptional items	**871**	**2,000**	4,240
Adjusted cash from operations	**16,354**	**10,357**	27,399

Adjusted cash from operations has increased by £6.0m to £16.4m (HY-24 £10.4m), primarily due to the increase in adjusted EBITDA.

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. This metric shows the level of internal investment the Group is making through capital expenditure. As the measure explains and analyses routine capital expenditure, land and buildings (including any associated assets relating to dilapidation provisions) and asset financing additions are excluded due to the infrequency of this expenditure occurring. Customer capital expenditure relates to assets utilised by the Group in delivering Managed Services to our customers.

	Six months to 30 Sept 2024 Unaudited £'000	Six months to 30 Sept 2023 Unaudited £'000	Year ended 31 March 2024 Unaudited £'000
Reported capital expenditure	**4,967**	**6,565**	11,830
Customer capital expenditure	**(2,933)**	**(2,105)**	(4,099)
Maintenance capital expenditure	**2,034**	**4,460**	7,731

The increase in customer capex reflects the mix of revenue seen in recent months to those that are more capex oriented, coupled with investments in the data centres to facilitate specific customer requirements.

Adjusted operating profit and adjusted earnings per share

Adjusted operating profit is operating profit 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").

	Six months to 30 Sept 2024 Unaudited £'000	Six months to 30 Sept 2023 Unaudited £'000	Year ended 31 March 2024 Unaudited £'000
Reported operating profit	**6,400**	**1,966**	852
Amortisation of intangible assets arising on business combinations	**1,083**	**3,225**	5,229
Exceptional costs	**824**	**2,000**	4,550
Exceptional income	**-**	**(2,100)**	(2,100)
Share-based payments and associated National Insurance	**531**	**503**	1,138
Adjusted operating profit	**8,838**	**5,594**	9,669

The EPS calculation further adjusts for the tax impact of the operating profit adjustments, as presented in Note 9.

Adjusted operating costs

Adjusted operating costs are operating costs less depreciation, amortisation, exceptional items, share-based payments and foreign exchange. This metric shows the day-to-day trading operating costs of the Group, excluding non-trading and non-recurring items (items of a nature that the Group does not expect to incur every financial year) which impact financial performance. These are controllable operating costs which provide investors with useful information about how the Group is managing its expenditure.

Other operating costs are adjusted operating costs less staff costs.

	Six months to 30 Sept 2024 Unaudited £'000	Six months to 30 Sept 2023 Unaudited £'000	Year ended 31 March 2024 Unaudited £'000
Reported operating costs	**44,216**	**45,323**	91,718
Depreciation of right-of-use assets	**(5,076)**	**(5,854)**	(11,777)
Depreciation of property, plant and equipment	**(3,787)**	**(2,776)**	(6,089)
Amortisation of intangibles arising on business combinations	**(1,083)**	**(3,225)**	(5,229)
Amortisation of other intangible assets	**(498)**	**(317)**	(781)
Exceptional costs	**(824)**	**(2,000)**	(4,550)
Share-based payments and associated National Insurance	**(531)**	**(503)**	(1,138)
Adjusted operating costs	**32,417**	**30,648**	62,154

Adjusted operating expenditure has increased by 5.8% to £32.4m (H1 FY24: £30.6m) primarily due to increased staff costs, Broadcom's VMware platform pricing model changes, price increases in core technology and increasing regulatory costs within the IT services market.

Adjusted net debt

Adjusted net debt is reported net debt (borrowings net of cash) less supplier loans and less lease liabilities that would have been classified as operating leases under IAS17 and is a measure reviewed by the Group's banking syndicate as part of covenant compliance.

	Six months to 30 Sept 2024 Unaudited £'000	**Six months to 30 Sept 2023 Unaudited £'000**	Year ended 31 March 2024 Unaudited £'000
Reported net debt	**(66,628)**	**(74,679)**	(72,365)
Term loans	**13**	**34**	21
Lease liabilities that would have been classified as operating leases under IAS 17	**26,671**	**33,056**	30,346
Adjusted net debt	**(39,944)**	**(41,589)**	(41,998)

Profitability and dividend policy

Adjusted EBITDA (£18.2m) and adjusted operating profit (£8.8m) were up 25.2% and 58.0% respectively, with an adjusted EBITDA margin of 21.0% (H1 FY24: 17.7%) and adjusted operating margin of 10.2% (H1 FY24: 6.8%).

After accounting for exceptional costs of £0.9m (H1 FY24: £0.1m gain) and share-based payment costs of £0.5m (H1 FY24: £0.5m), the reported operating profit was £6.4m (H1 FY24: £2.0m).

Net finance costs for the period were £2.8m (H1 FY24: £2.7m) including £0.6m (H1 FY24: £0.8m) of IFRS 16 finance charges.

The reported basic and diluted EPS both increased to 2.43p and 2.36p respectively (H1 FY24: (0.14p) and (0.14p) respectively). Adjusted basic and diluted EPS both increased to 2.86p and 2.78p respectively (H1 FY24: 1.39p and 1.36p respectively).

The Board has reviewed the financial performance of the business and has decided to maintain an Interim dividend payment of 1.2p per share.

Cash flow and net debt

The principal movements in net debt are set out in the table below:

	Six months to 30 Sept 2024 Unaudited £'000	**Six months to 30 Sept 2023 Unaudited £'000**	Year ended 31 March 2024 Unaudited £'000
Operating profit	**6,400**	**1,966**	852
Depreciation and amortisation	**10,444**	**12,172**	23,876
Exceptional costs	**824**	**2,000**	4,550
Exceptional income	**-**	**(2,100)**	(2,100)
Share-based payments	**531**	**503**	1,138
Adjusted EBITDA	**18,199**	**14,541**	28,316
Profit on disposal of property, plant and equipment	**-**	**-**	(53)
Working capital movements	**(1,811)**	**(4,184)**	114
Cash movement on provisions	**(34)**	**-**	(978)
Adjusted cash generated from operations	**16,354**	**10,357**	27,399
Cash conversion	*89.9%*	*71.2%*	*96.8%*
Capital expenditure - cash purchases	**(4,894)**	**(6,565)**	(9,259)
Capital expenditure - finance lease purchases	**(73)**	**-**	(1,485)
Asset financing proceeds	**890**	**2,419**	2,419
Net capital expenditure	**(4,077)**	**(4,146)**	(8,325)
Corporation tax paid	**(12)**	**(142)**	(174)
Interest paid	**(1,872)**	**(1,611)**	(3,615)
Loan arrangement fee amortisation	**(148)**	**(109)**	(209)
Interest paid on leases	**(618)**	**(791)**	(1,328)
Effect of exchange rates	**(27)**	**(35)**	(109)
Other movements in normalised net debt	**(2,677)**	**(2,688)**	(5,435)
Normalised net debt movement	**9,600**	**3,523**	13,639
Cash costs of exceptional items	**(871)**	**(2,000)**	(4,240)
Acquisition of subsidiaries net of cash acquired	**-**	**(890)**	(890)
IFRS16 lease additions	**(396)**	**-**	(4,237)
Drawdown of asset financing facility	**(890)**	**(2,419)**	(2,419)
Remeasurement relating to lease modifications	**187**	**-**	-
Disposal of treasury shares on exercise of share options	**6**	**72**	116
Dividends paid in cash	**(1,899)**	**-**	(1,369)
Other movements in net debt	**(3,863)**	**(5,237)**	(13,039)
Decrease/(increase) in net debt	**5,737**	**(1,714)**	(600)
Net debt at the beginning of the period	**(72,365)**	**(72,965)**	(72,965)
Net debt at the end of the period	**(66,628)**	**(74,679)**	(72,365)

Net debt decreased by £5.7m from 31 March 2024 (7.9%) to £66.6m and consists of total borrowings of £43.9m (FY24: £47.4m) and leases previously classified as operating leases under IAS17 of £26.7m (FY24: £30.4m), less cash balances of £4.0m (FY24: £3.1m).

At 30 September 2024, the Group had a committed revolving credit facility (“RCF”) of £80.0m (£39.0m utilised at 30 September 2024) and a £10.0m asset financing facility (“AFF”) (£3.9m utilised at 30 September 2024). In addition, the Group has access to an uncommitted £20.0m accordion facility which remains undrawn. These facilities are due to expire on 25 April 2026.

Related party transactions

There have been no material changes in the related party transactions described in the last Annual Report and Accounts of the Company.

Principal risks and uncertainties

The principal risks and uncertainties, which could have a material impact upon the Group's performance over the remaining six months of the financial year ending 31 March 2025, have not changed from those set out on pages 32 and 33 of the Group's 2024 Annual Report and Accounts, which are available at www.redcentricplc.com. These risks and uncertainties include, but are not limited to, the following:

- Environmental impact
- Technology and cyber-security
- Business continuity
- Workforce
- Market and economic conditions
- Loss of major contract
- Competition and market pressures

Going concern

As stated in Note 2 to the Financial Statements, the Board is satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed Financial Statements.

By order of the Board,

Chief Executive Officer

Peter Brotherton

20 November 2024

Chief Financial Officer

David Senior

20 November 2024

Redcentric plc

Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 September 2024

	Note	**Six months to 30 September 2024 Unaudited £'000**	**Six months to 30 September 2023 *Restated Unaudited £'000**	Year ended 31 March 2024 *Restated Unaudited £'000
Revenue	5	**86,785**	**81,998**	163,150
Cost of sales		**(36,169)**	**(36,809)**	(72,680)
Gross Profit		**50,616**	**45,189**	90,470
Operating costs		**(44,216)**	**(45,323)**	(91,718)
Gain on settlement of contingent consideration		**-**	**2,100**	2,100
Adjusted EBITDA[1]		**18,199**	**14,541**	28,316
Depreciation of property, plant, and equipment		**(3,787)**	**(2,776)**	(6,089)
Amortisation of intangible assets		**(1,581)**	**(3,542)**	(6,010)
Depreciation and amortisation of right-of-use assets		**(5,076)**	**(5,854)**	(11,777)
Other exceptional costs	6	**(824)**	**(2,000)**	(4,550)
Other exceptional income	6	**-**	**2,100**	2,100
Share-based payments		**(531)**	**(503)**	(1,138)
Operating profit		**6,400**	**1,966**	852
Finance costs	7	**(2,806)**	**(2,687)**	(5,502)
Profit/(loss) before taxation		**3,594**	**(721)**	(4,650)
Income tax credit	8	**241**	**507**	1,209
Profit/(loss) for the period attributable to owners of the parent		**3,835**	**(214)**	(3,441)
Other comprehensive income				
Items that may be classified to profit or loss:				
Currency translation differences		**(134)**	**(40)**	(117)
Total comprehensive profit/(loss) for the period		**3,701**	**(254)**	(3,558)
Earnings/(loss) per share				
Basic earnings/(loss) per share	9	**2.43p**	**(0.14p)**	(2.20p)
Diluted earnings/(loss) per share	9	**2.36p**	**(0.14p)**	(2.20p)

[1] *For an explanation of the APMs used in this report, please refer to page 8.*

** For detail on the prior period restatements, please see Note 15. As detailed in Note 15, amounts previously reported for the year ended 31 March 2024 are audited, but the restated amounts are unaudited.*

Redcentric plc

Condensed Consolidated Statement of Financial Position as at 30 September 2024

	Note	**30 September 2024 Unaudited £'000**	**30 September 2023 Unaudited £'000**	31 March 2024 Audited £'000
Non-Current Assets				
Intangible assets		**78,121**	**80,621**	78,883
Property, plant, and equipment		**21,925**	**19,971**	21,422
Right-of-use assets		**32,583**	**40,428**	37,478
Trade and other receivables	10	**2,783**	**-**	3,307
Deferred tax asset		**2,770**	**1,607**	2,503
		138,182	**142,627**	143,593
Current Assets				
Inventories		**3,232**	**4,173**	4,187
Trade and other receivables	10	**35,508**	**38,572**	33,543
Corporation tax receivable		**40**	**165**	53
Cash and cash equivalents		**4,001**	**2,099**	3,130
		42,781	**45,009**	40,913
Total Assets		**180,963**	**187,636**	184,506
Current Liabilities				
Trade and other payables	11	**40,933**	**39,250**	42,154
Bank loans and asset financing	12	**1,318**	**22**	1,149
Lease liabilities	12	**8,626**	**10,887**	8,903
Provisions	13	**1,469**	**1,857**	892
		52,346	**52,016**	53,098
Non-Current Liabilities				
Trade and other payables	11	**128**	**-**	-
Bank loans and asset financing	12	**41,420**	**38,696**	42,366
Lease liabilities	12	**19,265**	**27,173**	23,077
Provisions	13	**11,036**	**11,322**	11,482
		71,849	**77,191**	76,925
Total Liabilities		**124,195**	**129,207**	130,023
Net Assets		**56,768**	**58,429**	54,483
Equity				
Called up share capital	14	**159**	**157**	159
Share premium account	14	**75,649**	**73,267**	75,649
Common control reserve		**(9,454)**	**(9,454)**	(9,454)
Own shares held in treasury		**(761)**	**(898)**	(779)
Retained earnings		**(8,825)**	**(4,643)**	(11,092)
Total Equity		**56,768**	**58,429**	54,483

Redcentric plc

Condensed Consolidated Statement of Changes in Equity as at 30 September 2024

	Share capital £'000	Share premium £'000	Common control reserve £'000	Own shares held in treasury £'000	Retained earnings £'000	Total equity £'000
At 1 April 2023 Audited	157	73,267	(9,454)	(898)	(4,881)	58,191
Loss for the period	-	-	-	-	(214)	(214)
Transactions with owners						
Share-based payments	-	-	-	-	492	492
Other comprehensive income						
Currency translation differences	-	-	-	-	(40)	(40)
At 30 September 2023 Unaudited	**157**	**73,267**	**(9,454)**	**(898)**	**(4,643)**	**58,429**
Loss for the period	-	-	-	-	(3,227)	(3,227)
Transactions with owners						
Share-based payments	-	-	-	-	561	561
Issue of new shares	2	2,382	-	-	-	2,384
Dividends paid	-	-	-	-	(3,752)	(3,752)
Share options exercises	-	-	-	119	(3)	116
Deferred tax movement on share options	-	-	-	-	78	78
Deferred tax relating to prior periods	-	-	-	-	(29)	(29)
Other comprehensive income						
Currency translation differences	-	-	-	-	(77)	(77)
At 31 March 2024 Audited	**159**	**75,649**	**(9,454)**	**(779)**	**(11,092)**	**54,483**
Profit for the period	-	-	-	-	3,835	3,835
Transactions with owners						
Share-based payments	-	-	-	-	477	477
Dividends paid	-	-	-	-	(1,899)	(1,899)
Share options exercises	-	-	-	18	(12)	6
Other comprehensive income						
Currency translation differences	-	-	-	-	(134)	(134)
At 30 September 2024 Unaudited	**159**	**75,649**	**(9,454)**	**(761)**	**(8,825)**	**56,768**

Redcentric plc

Condensed Consolidated Cash Flow Statement for the six months ended 30 September 2024

	Six months to 30 September 2024 Unaudited £'000	**Six months to 30 September 2023 Unaudited £'000**	Year ended 31 March 2024 Audited £'000
Profit/(loss) before tax	**3,594**	**(721)**	(4,650)
Finance costs	**2,806**	**2,687**	5,502
Operating profit	**6,400**	**1,966**	852
Adjustment for non-cash items			
Depreciation and amortisation	**10,444**	**12,172**	23,876
Profit on disposal of property, plant and equipment	**-**	**-**	(53)
Exceptional income	**-**	**(2,100)**	(2,100)
Exceptional items	**824**	**2,000**	4,550
Share-based payments	**531**	**503**	1,138
Operating cash flow before exceptional items and movements in working capital	**18,199**	**14,541**	28,263
Cash cost of exceptional items	**(871)**	**(2,000)**	(4,240)
Cash cost of provisions	**(34)**	**-**	(978)
Operating cash flow before changes in working capital	**17,294**	**12,541**	23,045
Changes in working capital			
Decrease/(increase) in inventories	**955**	**(456)**	(471)
(Increase)/Decrease in trade and other receivables	**(1,633)**	**596**	2,411
Decrease in trade and other payables	**(1,133)**	**(4,323)**	(1,826)
Cash generated from operations	**15,483**	**8,358**	23,159
Tax paid	**(12)**	**(142)**	(174)
Net cash generated from operating activities	**15,471**	**8,216**	22,985
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	**-**	**(890)**	(890)
Purchase of property, plant, and equipment	**(4,093)**	**(5,619)**	(9,265)
Purchase of intangible assets	**(801)**	**(946)**	(1,479)
Net cash used in investing activities	**(4,894)**	**(7,455)**	(11,634)

Redcentric plc

Condensed Consolidated Cash Flow Statement for the six months ended 30 September 2024 (continued)

	Six months to 30 September 2024 Unaudited £'000	**Six months to 30 September 2023 Unaudited £'000**	Year ended 31 March 2024 Audited £'000
Cash flows from financing activities			
Dividends paid	**(1,899)**	**-**	(1,369)
Disposal of treasury shares on exercise of options	**6**	**72**	116
Financing of property, plant and equipment	**890**	**2,419**	2,419
Interest paid	**(1,897)**	**(1,674)**	(3,569)
Interest paid on leases	**(618)**	**(784)**	(1,328)
Repayment of leases	**(4,371)**	**(4,555)**	(10,638)
Repayment of asset financing liabilities	**(582)**	**-**	(635)
Repayment of term loans	**(8)**	**(462)**	(474)
Drawdown of borrowings	**2,500**	**10,500**	16,500
Repayment of borrowings	**(3,500)**	**(5,500)**	(10,500)
Repayment of loan arrangement fees	**(200)**	**-**	-
Net cash used in financing activities	**(9,679)**	**16**	(9,478)
Net increase in cash and cash equivalents	**898**	**777**	1,873
Cash and cash equivalents at beginning of period	**3,130**	**1,366**	1,366
Effect of exchange rates	**(27)**	**(44)**	(109)
Cash and cash equivalents at end of the period	**4,001**	**2,099**	3,130

Notes to the unaudited condensed set of Financial Statements for the six months ended 30 September 2024

1. General information

The unaudited Financial Statements for the six months ended 30 September 2024 and the six months ended 30 September 2023 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2024 were approved by the Board on 15 August 2024. The auditor's report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

These condensed Interim Financial Statements were approved for issue by the Board on 20 November 2024 and were not independently reviewed by the Group's auditor

Redcentric plc is a company domiciled in England and Wales. These unaudited condensed Interim Financial Statements comprise the Company and its subsidiaries (together referred to as the "Company" or the "Group"). The principal activity of the Group is the supply of IT Managed Services.

2. Accounting policies

Basis of preparation

These condensed Interim Financial Statements for the six months ended 30 September 2024 have been prepared in accordance with the AIM Rules for Companies, comply with IAS 34 *Interim Financial Reporting* as adopted by the UK-adopted international accounting standards, and should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2024. They do not include all of the information required for a complete set of Financial Statements prepared in accordance with IFRS Accounting Standards. However, selected explanatory Notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last Annual Financial Statements.

The financial information is presented in sterling, which is the functional currency of the Group. All financial information presented has been rounded to the nearest thousand (£'000), unless otherwise indicated.

Going concern

The Financial Statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

The Group and Company meets their day to day working capital requirements from the Group's operational cash flows, a Revolving Credit Facility, Asset Financing Facility and leasing arrangements (see Note 12). The Revolving Credit Facility is an £80.0m facility (net £39.0m utilised at 30 September 2024), while the Asset Financing Facility is a £10.0m facility with £3.9m utilised at 30 September 2024. The Revolving Credit Facility and Asset Financing Facility have a maturity date of 26 April 2026.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these Financial Statements (the "going concern assessment period") which indicate that, taking account of reasonably possible downsides on the operations and its financial resources, the Group and the Company will have sufficient funds to meet their liabilities as they fall due for that period, and will comply with debt covenants over that period.

The Group is required to comply with financial debt covenants for adjusted leverage (net debt to adjusted EBITDA), cashflow cover (adjusted cashflow to debt service, where adjusted cashflow is defined as adjusted EBITDA less tax paid, dividend payments, IFRS16 lease repayments and cash capital expenditure) and provisions relating to guarantor coverage such that guarantors must exceed a prescribed threshold of the Group's gross assets, revenue and adjusted EBITDA. The guarantors are Redcentric plc and Redcentric Solutions Limited. Covenants are tested quarterly each year.

During FY24 the Group invested heavily in integration and efficiency programmes which are now delivering significant benefits to the business in FY25 and beyond. In addition, the Group completed the closure of the Harrogate data centre, which was in favour of delivering other projects including the further consolidation of cloud platforms. In anticipation of the effect of these factors on continued covenant compliance, particularly as the covenant tests are on a rolling 12-month basis, in June 2024 the Directors reached agreement with the banking syndicate to apply less stringent debt covenant requirements for the quarters ended June and September 2024, despite not anticipating a breach at these quarters. The purpose of this amendment was to provide additional headroom on covenants in the event of a severe but plausible downside scenario, and to provide additional flexibility around the timing and financing of capital expenditure for new customer projects. There were no other material changes to the terms and conditions of the borrowings because of this amendment. All requirements within the borrowings facility agreement and subsequent amendments have been adhered to in the respective quarters including up to September 2024, with the banking syndicate further agreeing not to apply a clause relating to the retrospective inclusion of the January 2024 dividend into the December 2023 covenant calculation. This clause is no longer applicable from April 2024 onwards.

The Directors' forecasts in respect of the going concern assessment period have been built from the detailed Board approved forecast for the year ending 31 March 2025, and a forecast plan for the year ending 31 March 2026, and the going concern assessment takes account of the debt covenant requirements.

The forecasts include a number of assumptions in relation to order intake, renewal and churn rates, EBITDA margin improvements, the full year impact of energy efficiency investment and improved electricity pricing (a significant proportion of which is locked in through FY25 and FY26 at forward rates favourable to those achieved in FY24). Revenue assumptions reflect levels achieved in FY24 and H1 FY25 plus organic growth, and have been adjusted for the enlarged customer base and additional products following the acquisitions made in FY23.

Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment continues to present several challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to, achieving forecast levels of new order intake, the impact on customer confidence as a result of general economic conditions, inflationary cost pressures including unexpected one-off cost impacts, and the efficacy of energy efficiency measures under a prolonged period of hot weather. In making their going concern assessment in light of these risks, the Directors have also modelled a combined severe but plausible downside scenario when preparing the forecasts.

The downside scenario assumes significant economic downturn over FY25 and into FY26, primarily impacting recurring new order intake and non-recurring product and services revenues as the Directors note the uncertainties surrounding the timing and extent of non-recurring revenue from quarter to quarter. In this scenario, recurring monthly order intake is forecast to reduce by 30% compared to base case budget and product and services non-recurring revenues reduce by 20% compared to base case budget incorporating potential supply chain issues, reduced investment from our existing customer base and failure to expand market share as planned. In addition, the downside scenario also assumes the new business obtained does not achieve the gross margin planned, with a 10% reduction to the planned gross margin achievement across all new recurring revenue modelled.

An additional factor that can impact the revenue and gross margin assumptions in the going concern assessment period is the level of customer cancellations (of an individual service or product). Whilst known, near-term customer cancellations have been modelled, coupled with an underlying level of customer cancellations based on historic trends, there remains a risk that unexpected, medium to large customer cancellations could occur in the near-term. The Group is protected contractually to a large extent with notice periods and cancellation clauses, however a residual risk remains. An additional level of customer cancellations has therefore been modelled each quarter in the downside scenario to reflect this risk.

Following the energy efficiency measures delivered in FY24, electricity volumes are significantly more predictable than they have been historically. In addition, power prices are 90% fixed (at current volumes) through to September 2025. However, there remains a risk that periods of sustained higher summer temperatures, considering the impacts of wider climate-related factors, could increase energy usage at sites where new efficiency measures have been introduced, but not tested, at these prolonged higher temperatures. A 5% increase in forecasted usage has been modelled across a period of three months over the summer to reflect this risk.

With respect to the remaining operating cost base, whilst the Board approved forecast contains detailed, itemised cost forecasts (including inflation), there remains a risk inherent within the industry related to the complex cost base and significant volumes of services procured that unexpected costs and/or unexpected cost increases can at times occur. In the severe but plausible downside scenario, an additional quarterly cost shock has been modelled to reflect this risk. In preparing the cash flow forecasts and analysis relating to debt covenant compliance through the going concern assessment period, the Directors have considered the nature of exceptional items and are satisfied that such items meet the Group's accounting policy and borrowings facility agreement definition of exceptional items.

Given external market analysis indicates an expectation that interest rates have stabilised, no sensitivity on interest rates has been included in the plausible downside scenario. Both the base case and severe but plausible downside forecast scenarios continue to model the payment of dividends, including a final FY24 dividend payment in January 2025 and an interim FY25 dividend payment in April 2025. The Directors will continue to monitor the impact and timing of dividend payments in the normal course of their quarterly liquidity and debt covenant compliance monitoring.

Under the downside scenario modelled the forecasts demonstrate that the Group is expected to maintain sufficient liquidity and will continue to comply with the relevant debt covenants without management taking mitigating actions. While not modelled, mitigating actions which are within the Group's control would also be available in the event of a severe downside. Such actions include, but are not limited to, the rephasing of discretionary capital expenditure, and further management of discretionary cost areas such as marketing, training and travel.

The Directors therefore remain confident that the Group and Company have adequate resources to continue to meet their liabilities as and when they fall due within the period of at least 12 months from the date of this Report.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in the Group's 2024 Annual Report and Accounts, the Board are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities, without clear direction from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

The Group has identified the following items as a critical accounting judgement which would have a significant impact to the amounts recognised in the Financial Statements for the period ended 30 September 2024.

Exceptionals items

The Group presents separately, on the face of the Consolidated Statement of Comprehensive Income, material items of income and expenses, which, because of their nature and expected infrequency of events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of the Company's underlying financial performance. An element of management judgment is required in identifying these exceptional items. Additional information is included in Note 6.

Going concern

Management have prepared reports and financial models on the going concern assumptions when considering the HY-25 results and the Group's financial performance and compliance with banking covenants for a period of at least 12 months from the date of approval of the Financial Statements. In addition, internal financial projections including stress testing have been prepared, with management applying severe but plausible downside scenarios. An element of judgement is involved in determining that there is no material uncertainty over the Group continuing as a going concern. Additional information is included in Note 2.

Estimates

There are no major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

4. Segmental reporting

IFRS 8 requires operating segments to be identified based on internal financial information reported to the Chief Operating Decision-Maker ("CODM") for decision-making purposes. The Group considers that this role is performed by the Board. Whilst the intention is to have segmental reporting in place at the time we release the FY25 full year results as outlined in the CEO's review, the Board believes that, at the timing of the half year results, the Group continues to comprise a single reporting segment, being the provision of Managed Services to customers as at the reporting date. The Board do not review the results of the two proposed business units separately as the Company is still in the process of pulling out discrete financial information to be able to do this.

5. Revenue analysis

The Group's operations and revenue streams are those described in the last Annual Financial Statements. Revenue for the six months ended 30 September 2024 was generated wholly from the UK and is analysed as follows:

	Six months to 30 Sept 2024 Unaudited £'000	**Six months to 30 Sept 2023 Unaudited £'000**	Year ended 31 March 2024 Audited £'000
Recurring revenue	**78,280**	**74,810**	149,091
Product revenue	**2,803**	**2,770**	5,507
Services revenue	**5,702**	**4,418**	8,552
	86,785	**81,998**	163,150

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

	Six months to 30 Sept 2024 Unaudited £'000	**Six months to 30 Sept 2023 Unaudited £'000**	Year ended 31 March 2024 Audited £'000
Receivables, included in trade and other receivables, net of provisions	**18,187**	**16,988**	18,190
Accrued income, included in trade and other receivables	**5,935**	**7,106**	5,194
Deferred income, included in trade and other payables	**(10,664)**	**(9,064)**	(9,983)

6. Exceptional items

	Six months to 30 Sept 2024 Unaudited £'000	Six months to 30 Sept 2023 Unaudited £'000	Year ended 31 March 2024 Audited £'000
Included within operating costs:			
Acquisition related professional and legal fees	**319**	**-**	350
Integration costs	**113**	**2,000**	3,467
Restructuring costs	**392**	**-**	733
Total exceptional costs	**824**	**2,000**	4,550
Presented separately in the Consolidated Statement of Comprehensive Income:			
Gain on settlement of contingent consideration	**-**	**(2,100)**	(2,100)
Total exceptional income	**-**	**(2,100)**	(2,100)

7. Finance costs

	Six months to 30 Sept 2024 Unaudited £'000	Six months to 30 Sept 2023 Unaudited £'000	Year ended 31 March 2024 Audited £'000
Interest payable on bank loans and term loans	**1,748**	**1,553**	3,337
Interest payable on asset financing liabilities	**124**	**56**	267
Interest payable on leases	**618**	**791**	1,328
Amortisation of loan arrangement fees	**148**	**109**	209
Other interest payable	**168**	**178**	361
	2,806	**2,687**	5,502

8. Income tax credit

The tax credit recognised reflects management estimates of the tax credit for the period and has been calculated using the estimated average tax rate of UK corporation tax for the financial year of 25.0% (H1 FY24: 19.0%).

9. Earnings per share (EPS)

The calculation of basic and diluted EPS is based on the following earnings and number of shares.

Earnings	Six months to 30 Sept 2024 Unaudited £'000	Six months to 30 Sept 2023 Unaudited +Restated £'000	Year ended 31 March 2024 Audited £'000
Statutory profit/(loss)	**3,835**	**(214)**	(3,441)
Tax credit	**(241)**	**(507)**	(1,209)
Amortisation of acquired intangibles	**1,083**	**3,224**	5,229
Share-based payments	**531**	**503**	1,138
Exceptional costs	**824**	**2,000**	4,550
Exceptional income	**-**	**(2,100)**	(2,100)
Adjusted earnings before tax	**6,032**	**2,906**	4,167
Notional tax charge at standard rate	**(1,508)**	**(727)**	(1,042)
Adjusted earnings	**4,524**	**2,179**	3,125

Weighted average number of ordinary shares	**Number '000**	**Number '000**	Number '000
Total shares in issue	**158,525**	**156,992**	**157,371**
Shares held in treasury	**(618)**	**(729)**	**(693)**
For basic EPS calculations	**157,907**	**156,263**	**156,678**
Effect of potentially dilutive share options	**4,857**	**4,387**	**5,129**
For diluted EPS calculations	**162,764**	**160,650**	**161,807**

EPS	**Pence**	**Pence +Restated**	Pence
Basic	**2.43p**	**(0.14p)**	**(2.20p)**
Adjusted	**2.86p**	**1.39p**	**1.99p**
Basic diluted	**2.36p**	**(0.14p)**	**(2.20p)**
Adjusted diluted	**2.78p**	**1.36p**	**1.93p**

+ *Six months to 30 Sept 2023 restated to correct notional tax charge as incorrectly calculated at 19% rather than 25%.*

10. Trade and other receivables

	Six months to 30 Sept 2024 Unaudited £'000	**Six months to 30 Sept 2023 Unaudited £'000**	Year ended 31 March 2024 Audited £'000
Trade receivables	**19,308**	**17,981**	19,390
Less: credit note provision	**(1,121)**	**(993)**	(1,200)
Trade receivables – net	**18,187**	**16,988**	18,190
Other receivables	**578**	**1,408**	1,084
Prepayments	**9,635**	**9,706**	8,245
Contract acquisition asset	**3,956**	**3,364**	4,137
Accrued income	**5,935**	**7,106**	5,194
	38,291	**38,572**	36,850
Current	**35,508**	**38,572**	33,543
Non-current	**2,783**	**-**	3,307
	38,291	**38,572**	36,850

Trade receivable days were 34 at 30 September 2024 (30 September 2023: 33).

The ageing of trade receivables is shown below:

	Six months to 30 Sept 2024 Unaudited £'000	**Six months to 30 Sept 2023 Unaudited £'000**	Year ended 31 March 2024 Audited £'000
Current	**15,345**	**13,596**	14,008
1 to 30 days overdue	**2,286**	**2,711**	2,928
31 to 60 days overdue	**523**	**1,005**	1,794
61 to 90 days overdue	**472**	**354**	383
91 to 180 days overdue	**378**	**315**	320
> 180 days overdue	**304**	**-**	(43)
Gross trade receivables	**19,308**	**17,981**	19,390
Credit note provision	**(1,121)**	**(993)**	(1,200)
Net trade receivables	**18,187**	**16,988**	18,190

11. Trade and other payables

	Six months to 30 Sept 2024 Unaudited £'000	Six months to 30 Sept 2023 Unaudited £'000	Year ended 31 March 2024 Audited £'000
Trade payables	**15,150**	**12,455**	16,287
Other payables	**362**	**988**	612
Taxation and social security	**3,544**	**2,642**	3,085
Accruals	**11,341**	**14,101**	12,187
Deferred income	**10,664**	**9,064**	9,983
	41,061	**39,250**	42,154
Current	**40,933**	**39,250**	42,154
Non-current	**128**	**-**	-
	41,061	**39,250**	42,154

Trade creditor days were 34 at 30 September 2024 (30 September 2023: 28).

12. Borrowings

	Six months to 30 Sept 2024 Unaudited £'000	Six months to 30 Sept 2023 Unaudited £'000	Year ended 31 March 2024 Audited £'000
Current			
Lease liabilities	**8,626**	**10,887**	8,903
Term loans	**13**	**22**	21
Asset financing liabilities	**1,305**	**-**	1,128
Total	**9,944**	**10,909**	10,052
Non-current			
Lease liabilities	**19,265**	**27,173**	23,077
Term loans	**-**	**11**	-
Asset financing liabilities	**2,612**	**-**	2,481
Bank loans	**38,808**	**38,685**	39,885
Total	**60,685**	**65,869**	65,443

13. Provisions

	Dilapidation provision
	£'000
At 1 April 2023 Audited	**13,001**
Additional provisions in the period	**178**
At 30 September 2023 Unaudited	**13,179**
Additional provisions in the period	**173**
Utilised during the period	**(978)**
At 31 March 2024 Audited	**12,374**
Additional provisions in the period	**165**
Utilised during the period	**(34)**
At 30 September 2024 Unaudited	**12,505**

Current	1,469
Non-current	11,036
At 30 September 2024 Unaudited	**12,505**

14. Share capital and share premium

	Ordinary shares of 0.1p each		Share premium
	Number	£'000	£'000
At 1 April 2023 Audited	156,991,982	157	73,267
New shares issued	1,892,937	2	2,382
At 31 March 2024 Audited	158,884,919	159	75,649
New shares issued	122,069	-	-
At 30 September 2024 Unaudited	**159,006,988**	**159**	**75,649**

At 30 September 2024, the Company's issued share capital consisted of 159,006,988 ordinary shares of which 618,188 remain in treasury.

15. Prior period restatement

During the period management have reviewed the rationale for inclusion of data centre related electricity costs within operating costs, as opposed to cost of sales. Following the acquisitions of Sungard and 4D Data Centres Limited, electricity costs now form a significant part of the Groups cost base. Electricity volumes are in material part driven by the usage of the customer, along with external factors such as outside temperature. Electricity prices are market driven, and where contractually permitted, passed on to customers.

In addition, during the period the Group has been exploring its business model to provide further clarity to stakeholders, resulting in a proposed operational separation of the data centre business. This separation would further isolate electricity costs as the key variable cost to the data centre business, and a more directly attributable customer cost.

Furthermore, following recent significant investments on power metering in our data centres, we can also now much more accurately track the electricity usage by customer and manage the cost and onward charge accordingly. As a result of these increased capabilities and the better information which is now available, electricity costs can be more accurately and directly allocated by customer for FY25.

Consequently, for the period ended 30 September 2024 management have decided that cost of sales better reflects the nature of the expense, as a cost which is directly attributable to revenue generation from customers. The prior period and prior year comparisons have been restated accordingly, which also ensures comparability.

In addition, when assessing the nature of direct costs, management also reviewed the rationale for the amortisation of the contract acquisition asset being included within operating costs. The contract acquisition asset is recognised under IFRS 15 as a cost to obtain a contract and is amortised over the life of the customer contract. While the amortisation of the contract acquisition asset was previously included within operating costs, as disclosed in the relevant accounting policies previously, the Group considers the related amortisation is better reflected as a cost of sale. The prior period and prior year comparisons have been restated accordingly.

The prior period/year restatements are presentational within operating profit, and have no impact on adjusted EBITDA, overall operating profit or net income, and have no impact on the Statement of Financial Position, cashflows or equity.

The restated condensed Consolidated Statement of Comprehensive Income for the six months ended 30 September 2023 is as follows:

	Six months to 30 September 2023 (previously reported) Unaudited £'000	Restatement £'000	Six months to 30 September 2023 (restated) Unaudited £'000
Revenue	81,998	-	**81,998**
Cost of sales	(22,708)	(14,101)	**(36,809)**
Gross Profit	59,290	(14,101)	**45,189**
Operating costs	(57,324)	12,001	**(45,323)**
Gain on settlement of contingent consideration	-	2,100	**2,100**
Adjusted EBITDA[1]	14,541	-	**14,541**
Depreciation of property, plant, and equipment	(2,776)	-	**(2,776)**
Amortisation of intangibles	(3,542)	-	**(3,542)**
Depreciation and amortisation of right-of-use assets	(5,854)	-	**(5,854)**
Other exceptional costs	100	(2,100)	**(2,000)**
Other exceptional income	-	2,100	**2,100**
Share-based payments	(503)	-	**(503)**
Operating profit	1,966	-	**1,966**
Finance costs	(2,687)	-	**(2,687)**
Loss before taxation	(721)	-	**(721)**
Income tax credit	507	-	**507**
Loss for the period attributable to owners of the parent	(214)	-	**(214)**
Other comprehensive income			
Items that may be classified to profit or loss:			
Currency translation differences	(40)	-	(40)
Total comprehensive loss for the period	(254)	-	(254)

Of the £14.1m of costs reallocated to cost of sales from operating costs, £13.2m related to electricity costs and £0.9m to contract acquisition asset amortisation.

With regards to the separate recognition of the "gain on settlement of contingent consideration" being disclosed as a line item on the Consolidated Statement of Comprehensive Income this restatement for the six month period ended 30 September 2023 is to align the Interim reporting for H1 FY24 to the year end reporting of FY24.

The restated condensed Consolidated Statement of Comprehensive Income for the year ended 31 March 2024 is as follows:

	Year ended 31 March 2024 (previously reported) Audited £'000	Restatement £'000	Year ended 31 March 2024 (restated) Unaudited £'000
Revenue	163,150	-	**163,150**
Cost of sales	(45,115)	(27,565)	**(72,680)**
Gross Profit	118,035	(27,565)	**90,470**
Operating costs	(119,283)	27,565	**(91,718)**
Gain on settlement of contingent consideration	2,100	-	**2,100**
Adjusted EBITDA[1]	28,316	-	**28,316**
Depreciation of property, plant, and equipment	(6,089)	-	**(6,089)**
Amortisation of intangibles	(6,010)	-	**(6,010)**
Depreciation and amortisation of right-of-use assets	(11,777)	-	**(11,777)**
Other exceptional costs	(4,550)	-	**(4,550)**
Other exceptional income	2,100	-	**2,100**
Share-based payments	(1,138)	-	**(1,138)**
Operating profit	852	-	**852**
Finance costs	(5,502)	-	**(5,502)**
Loss before taxation	(4,650)	-	**(4,650)**
Income tax credit	1,209	-	**1,209**
Loss for the period attributable to owners of the parent	(3,441)	-	**(3,441)**
Other comprehensive income			
Items that may be classified to profit or loss:			
Currency translation differences	(117)	**-**	**(117)**
Total comprehensive loss for the period	(3,558)	**-**	**(3,558)**

Of the £27.6m of costs reallocated to cost of sales from operating costs, £25.7m related to electricity costs and £1.9m to contract acquisition asset amortisation.