Redcentric plc

Half year results for the six months ended 30 September 2021 (unaudited)

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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

Peter Brotherton

17 November 2021

Chief Financial Officer

David Senior

17 November 2021

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 in good faith based on the information available to them up to the time of their approval of this report, 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.

<u>Chief Executive Officer's review</u>

Context

These results demonstrate the robust nature of the business. Throughout the period of the Covid-19 pandemic we have grown revenues and increased profits substantially. The pandemic has presented many unprecedented challenges and we continue to see the aftershocks.

Immediately following the outbreak of the Covid-19 pandemic the Company reacted expediently to meet customer demand resulting from the requirements of new working environments and this led to an increase in sales activity in H1-FY21. Post this period we have experienced a dearth of large-scale IT projects and, more recently, a shortage of microchips has led to delays in projects which has depressed both recurring and non-recurring revenues.

On 31 March 2021, the assets relating to the Company's contract with EDF (the "EDF Contract") were disposed of for £5.8m. The EDF Contract contributed revenue of £0.5m and EBITDA of £0.35m in each six-month period up to and including H2-FY21. To provide a better understanding of the results for the six months ended 30 September 2021, the revenue and EBITDA from the EDF Contract has been excluded from the prior periods in the table shown above.

Compared to the equivalent pre Covid period (H1-FY20):

- Revenues have increased 3.9%
- Adjusted EBITDA has increased by 20.2%
- Adjusted earnings have increased by 67.6%

Throughout the Covid period we did not take advantage of any government support packages and profits have remained consistent at £11.9m to £12.0m.

	Pre Covid		**During Covid**		
	H1 FY20	**H2 FY20**	**H1 FY21**	**H2 FY21**	**H1 FY22**
Revenue					
- Recurring	38.3	38.3	40.5	40.4	39.6
- Non-recurring	4.4	5.5	5.2	4.3	4.7
	42.7	**43.8**	**45.7**	**44.7**	**44.3**
Recurring Revenue%	*89.8%*	*87.4%*	*88.6%*	*90.4%*	*89.4%*
Adjusted EBITDA	**9.9**	**10.0**	**11.9**	**12.0**	**11.9**
Adjusted EBITDA margin%	*23.1%*	*22.9%*	*26.1%*	*26.8%*	*26.8%*

Table continued	Pre Covid		During Covid		
	H1 FY20	**H2 FY20**	**H1 FY21**	**H2 FY21**	**H1 FY22**
Capex	4.8	1.9	2.2	1.9	2.1
Adjusted EBITDA less Capex	**5.1**	**8.1**	**9.7**	**10.1**	**9.8**
Adjusted EBITDA less Capex margin%	*12.0%*	*18.6%*	*21.2%*	*22.5%*	*22.0%*
Adjusted earnings	**3.3**	**3.2**	**5.2**	**5.3**	**5.5**

Overview of the six months ended 30 September 2021

The revenue performance for the six months ended 30 September 2021 reflects the trading conditions described above which has led to a reduced volume of new orders from both existing and new customers.

Whilst like for like (excluding the EDF Contract) revenues have decreased by £0.4m (-0.8%) over the six-month period, costs have been carefully managed with adjusted EBITDA broadly flat (-£0.1m) on a like for like basis. Operating costs for the period reflect the last remaining benefits of the data centre and network rationalisation programme, which was actioned in the previous two financial years.

Net debt over the period decreased by £0.2m primarily reflecting normalised cash flows of £7.1m, £5.8m consideration from the sale of assets relating to the EDF Contract, dividend payments of £3.7m and the acquisition of the entire issued share capital of Piksel Industry Solutions Limited ("Piksel") (the "Acquisition") for £8.4m (net of cash acquired).

The Company has continued to invest in its operational systems and platforms. These initiatives will improve efficiency and customer service and provide a better platform for the integration of future acquisitions:

- The first stage of the new HR system is now live and when fully implemented will replace five legacy systems. The new system provides significantly enhanced information to both management and employees and prevents duplicate data entry;
- The first stage of the delivery workflow software is currently in user acceptance testing with a view to being fully released in December 2021. This will result in significant efficiencies in the delivery team, an improvement to customer service and enhanced customer and management reporting;
- The Company's principal customer service management software is in the process of being upgraded and once complete will provide a better and more consistent customer experience. Pro-active support using AI and machine learning, automated processes and workflow tasks will also significantly improve efficiency;
- A new cloud backup platform has been launched replacing our previously outdated proposition. The new platform delivers significantly enhanced functionality and brings our solution fully up to date;
- Substantial investment has been made in replacing cooling equipment in our Harrogate data centre which has led to a circa 7% reduction of electricity consumption at this site.

During the reporting period we commenced the execution of the acquisition strategy outlined in the Company's annual report and accounts for FY21 and on 29 September 2021 the Company completed the strategically important Acquisition of Piksel. The Acquisition gives Redcentric leading-edge skills and capabilities in public cloud and security solutions. The Acquisition has been very well received by both customer bases and we are already pursuing a good number of cross-sell opportunities.

Integration of Piksel

Whilst only six weeks into the integration programme the Company has already made significant progress, as follows:

- Planning for a new cloud services division is complete and the management positions are currently being filled with a view to a new fully integrated management structure being in place by December 2021. Employee TUPE discussions will commence in December 2021 with a view to all Piksel assets and employees being transferred to Redcentric Solutions Ltd by the end of this financial year;

- Cross connects have been put in place in Telehouse (London) and Equinix (Manchester) meaning that the Piksel network is now fully integrated in to the Redcentric national network. Several Piksel circuits have thus become redundant and ceased as a result;
- The equipment for a new cloud platform has been delivered and is currently being configured in our Shoreditch data centre. Once fully commissioned, customers will be migrated off the Piksel platform and significant savings realised as a result of cancelling racks in third party data centres;
- The integration of the finance systems is nearing completion. The opening balances as at 31 July 2021 have been migrated on to the Company's ERP system, Microsoft Dynamics 365 ("D365"), and all of the transactions for August and September 2021 have been recreated. The October transactions are currently being processed and we expect to be live by the end of the calendar year. Once live we will cease paying for the Piksel accounting system and transitional finance service cost;
- The Piksel customer prospect database has been migrated onto D365 and the contract for the legacy customer relationship management system cancelled;
- All Piksel suppliers have been contacted with the view to either cancelling contracts or renegotiating better rates. Any new purchase orders are being placed through Redcentric Solutions Ltd and plans are in place to migrate suppliers across to Redcentric Solutions Ltd by the end of the financial year; and
- Discussions with customers have commenced with a view to transferring all contracts to Redcentric Solutions Ltd by the end of the financial year.

To date we have actioned annualised cost savings of £0.7m of which some are effective immediately whilst others will be realised over the course of the next twelve months. We are fully confident of achieving at least £1.1m of synergies identified at the time the acquisition was announced.

Environmental, Social and Governance

The Board of directors of the Company (the "Board") is cognisant of the growing importance of ESG and is currently developing a comprehensive corporate ESG strategy with targets to drive further accountability across the business. A full ESG plan will be published at the time of the Company's preliminary results announcement.

Dividend policy

The Board has reviewed the financial performance of the business and has decided to maintain an interim dividend payment of 1.2p per share, which will be paid on 6 January 2022 to shareholders on the register at the close of business on 26 November 2021. The continuation of dividend payments whilst pursuing an acquisition strategy demonstrates the Board's confidence in the Company and the strong cash generative nature of the business.

Board changes

With these results, the Company is pleased to announce the appointment of Nick Bate as independent non-executive chairman. Nick is an experienced chairman with a proven track record of successfully delivering both organic and inorganic growth strategies in the IT managed services sector. Nick will join the Board with immediate effect replacing Ian Johnson who has stepped down from the Board and his position as chairman of the Company.

The Company is also announcing today that Jon Kempster, non-executive director and chairman of the Company's audit committee, has notified the Board that he does not intend to stand for re-election at the Company's next annual general meeting. A further announcement will be made as soon as a suitable successor has been appointed.

Summary and outlook

The business continues to perform well under difficult trading conditions. The Acquisition is strategically important as it completes our cloud services proposition and gives us full access to the strongest growing areas of the market. The integration of Piksel is currently ahead of plan with significant synergies already realised and increased confidence in delivering further substantial savings.

We continue to invest in our systems and platforms, which will enable us to efficiently integrate future acquisitions and to grow the business, whilst at the same time improving customer service.

As previously noted, the market continues to be impacted by a continued lack of IT projects and we will continue to navigate the supply chain issues in the sector. It has been pleasing to see that the sales pipeline is slowly recovering, and the increasing number of customer interactions is encouraging, November 2021 is on target to be the best month for new sales orders this calendar year which we hope represents a step in the right direction in returning to more normalised trading levels.

The Company will continue to pursue acquisition opportunities for both scale and capability and the Board expects the full year results to be in line with its expectations.

Chief Financial Officer's Review

Key performance indicators on a reported basis excluding Piksel revenue and profit contribution

As set out in the Company's most recent annual report and accounts, we monitor our performance against our strategy with reference to key performance indicators ("KPIs"). These KPIs are applied on a Group basis. Our headline financial results for the six months to 30 September 2021 are set out in the following table, together with the prior year comparatives. Further information on alternative performance measures ("APMs") can be found below.

Following discussions with the Company's advisors, the trading results of Piksel for the two months ended 30 September 2021 have been treated as an adjustment to the acquisition purchase price rather than included in the consolidated statement of comprehensive income as was presented in the trading update released on 27 October 2021. A full explanation and reconciliation is given below.

	Six months to 30 Sept 2021 (H1-22)	Six months to 30 Sept 2020 (H1-21)	Change
Total revenue	**£44.3m**	£46.2m	-4.1%
Recurring monthly revenue (RMR)	**£39.6m**	£41.0m	-3.4%
Recurring monthly revenue percentage	**89.4%**	88.7%	0.7ppts
Adjusted EBITDA[1]	**£11.9m**	£12.3m	-3.3%
Adjusted operating profit[1]	**£7.4m**	£7.6m	-2.6%
Reported operating profit	**£3.3m**	£3.1m	6.5%
Adjusted cash generated from operations[1]	**£10.0m**	£12.9m	-22.5%
Reported cash generated from operations	**£15.3m**	£10.4m	47.1%
Adjusted net debt[1]	**£0.4m**	£1.1m	-63.6%
Reported net debt	**£15.4m**	£17.0m	-9.4%
Adjusted basic earnings per share[1]	**3.55p**	3.61p	-1.7%
Reported basic earnings per share	**1.71p**	1.39p	23.0%

[1] This report contains certain financial 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 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 GAAP measure, please refer to page 7

Financial Highlights

- Total revenue was £44.3m (H1-21: £46.2m) with recurring revenue of £39.6m (H1-21: 41.0m). Adjusting for the sale of assets relating to the EDF Contract which was completed on 31 March 2021 total revenue declined by 3.1% and recurring revenue declined by 2.4%.
- Total revenue for the six-month period is now ahead of pre Covid-19 levels by 3.7% (H1-20: £42.7m H1-21 £44.3m) after adjusting for the EDF Contract.
- The proportion of recurring revenue increased slightly to 89.4% of total revenue (H1-21: 88.7%).

- Adjusted operating expenditure reduced by £0.6m (3.7%) to £15.8m (H1-21: £16.4m) reflecting a continued focus on the cost base in addition to the annualised impact of cost benefits realised through the operational efficiencies over the last two financial years.
- Adjusted EBITDA[1] was £11.9m (H1-21: £12.3m) and adjusted EBITDA margins increased marginally to 26.8% (H1-21: 26.5%). Adjusting for the sale of assets relating to the EDF Contract which was completed on 31 March 2021 adjusted EBITDA for H1-22 was in line with the prior year at £11.9m.
- Adjusted operating profit[1] decreased by 2.6% to £7.4m (H1-21: £7.6m) with operating margin improving to 16.7% (H1-21: 16.4%).
- After accounting for exceptional items of £0.7m (H1-21: £1.1m) and share-based payment costs of £0.3m (H1-21: £0.3m), reported operating profit was 7.8% higher at £3.3m (H1-21: £3.1m).
- Net debt reduced by £0.2m since 31 March 2021 to £15.4m, reflecting:
    - Operating cash flows of £10.0m (84% operating cash conversion);
    - the net cash impact of the acquisition of Piksel in the period of £8.4m; and
    - the receipt of £5.8m consideration resulting from the sale of assets relating to the EDF Contract which completed on 31 March 2021.
- Excluding leases previously classified as operating leases under IAS17, net debt was £0.4m (31 March 2021: £1.0m cash).
- Interim dividend maintained at 1.2p per share.

Operational Highlights

- The Acquisition, completed on 29 September 2021, significantly enhances the Company's cloud services proposition, and provides full access to the strongest growth areas of the market.
- The integration of Piksel is currently ahead of plan, with £0.7m of annualised cost savings already realised and further annualised savings of at least £0.4m to be realised for the next financial year.
- Continued investment in systems and platforms to enhance the customer experience, drive efficiency and provide a better platform for the integration of future acquisitions.
- Work continues in identifying further acquisitions for both scale and capability.

Accounting for the Acquisition

On 29 September 2021, the Company announced the Acquisition.

The consideration for the Acquisition was US$13.0m (c.£9.5m) payable in cash of which US$12.0m (c£8.8m) was paid on completion of the transaction and US$1.0m (c.£0.7m) being held in escrow for a period of 12 months. Pursuant to terms of the sale and purchase agreement relating to the Acquisition ("SPA"), the purchase price was subsequently increased by £0.1m due to a revised assessment of Piksel's latest research & development tax claim submission to HMRC.

The Acquisition was structured using locked box accounts, with the 31 July 2021 balance sheet providing the fixed point for the valuation. Pursuant to the terms of the SPA, the economic benefits of Piksel's trade in the period between 1 August 2021 to 29 September 2021 were transferred to Redcentric Solutions Ltd upon completion of the Acquisition on 29 September 2021. It is the view of the directors of Redcentric Solutions Limited (the "Directors") that they exercised sufficient control during this period to enable the trading for the two-month period to be consolidated into the Group results. However, following detailed discussions with the Company's advisors, trading for this period has now been offset against the purchase price rather than consolidated into the Company's results. This is purely a presentational adjustment, and the consolidated statement of financial position remains the same and reflects the benefit of the trading period.

The tables presented below show the movements in the primary financial statements between the locked box date of 31 July 2021 and the completion date of 29 September 2021 and include provisional fair value adjustments to align accounting policies with Redcentric and to recognise fair values on acquisition which are subject to revision within the measurement period which ends on 28 September 2022.

The Board considers the presentation of the Group results including Piksel to be important information for shareholders as they provide a better understanding of the structure of the transaction and the economic contribution of Piksel to the Group.

Reconciliation of reported results to trading update given on 27 October 2021 (unaudited)

Profit resulting from the trade in this period is reflected in the consolidated net assets of the Group as at 30 September 2021.

	Six months to 30 Sept 2021 (H1-22) Unaudited	Proforma adjustments in respect of Piksel IS Limited 2 months trading* Unaudited	Six months to 30 Sept 2021 Including Piksel Unaudited
Total revenue	**£44.3m**	£2.1m	£46.4m
Recurring monthly revenue (RMR)	**£39.6m**	£1.5m	£41.1m
Recurring monthly revenue percentage	**89.4%**	71.0%	88.6%
Adjusted EBITDA[1]	**£11.9m**	£0.1m	£12.0m
Adjusted net debt[1]	**£0.4m**	-	£0.4m
Reported net debt	**£15.4m**	-	£15.4m

*The pro forma adjustments in respect of Piksel trading noted above, represent the results for the two-month period ended 30 September 2021 of the recently acquired Piksel over which Redcentric took control from that date.

Reconciliation of net assets acquired (unaudited)

The movements below comprise the impact of Piksel's trading during August and September 2021, plus provisional fair value adjustments to align accounting policies with Redcentric and to recognise fair values on acquisition.

	Net assets as at 31 July 2021 £'000	August and September 2021 trading £'000	Opening balance adjustments £'000	Provisional fair value of net assets at 30 September 2021 £'000
Intangible assets	19	13	-	32
Property, plant, and equipment	39	(3)	-	36
Deferred tax asset	972	-	-	972
Trade and other receivables	6,333	(768)	129	5,694
Cash and cash equivalents	300	665	-	965
Total assets	7,663	(93)	129	7,699
Trade and other payables	(5,436)	209	(458)	(5,685)
Net assets	**2,227**	**116**	**(329)**	**2,014**

Alternative performance measures

This interim report contains certain 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.

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Reported revenue	**44,322**	46,241	91,399
Non-recurring revenue	**(4,752)**	(5,194)	(9,502)
Recurring revenue	**39,570**	41,047	81,897

Total revenue decreased by 4% to £44.3m (H1-21: £46.2m) reflecting a continued absence of large-scale IT projects together with supply chain issues affecting both recurring and non-recurring revenues. Excluding the previously disposed assets relating to the EDF Contract that contributed £0.5m of recurring revenues in H1-21, recurring revenues declined by 2.4% to £39.6m (H1-21: £40.5m). Recurring revenues continue to make up 89% of total revenue (H1-21: 89%).

Non-recurring revenue has decreased to £4.8m (H1-21: £5.2m) reflecting lower activity on new projects together with supply chain issues affecting our ability to deliver product sales. The volatility of non-recurring revenue has increased since the announcement of Brexit and more latterly Covid-19, both of which continue to cause customers to reconsider the timing of largescale IT investment decisions.

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, and the Board considers that this metric provides the best measure of assessing underlying trading performance.

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Reported operating profit	**3,321**	3,080	12,998
Amortisation of intangible assets arising on business combinations	**3,126**	3,126	6,252
Amortisation of other intangible assets	**407**	541	1,085
Depreciation of tangible assets	**2,606**	2,755	3,408
Depreciation of ROU assets	**1,451**	1,370	4,932
EBITDA	**10,911**	10,872	28,675
Exceptional items	**665**	1,095	(4,782)
Share-based payments	**284**	294	687
Adjusted EBITDA	**11,860**	12,261	24,580

Adjusted EBITDA decreased by 3.3% to £11.9m (H1-21: £12.3m), excluding the previously disposed assets relating to the EDF Contract that contributed £0.4m to adjusted EBITDA in H1-21, adjusted EBITDA for H1-22 was in line the prior year at £11.9m

Adjusted cash from operations
Adjusted cash from operations is cash from operations excluding the cash cost of exceptional items

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Reported cash from operations	**15,250**	10,445	17,577
Cash costs of exceptional items	**(5,270)**	2,452	8,884
Adjusted cash from operations	**9,980**	12,897	26,461

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.

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Reported capital expenditure	**2,118**	2,216	4,522
Customer capital expenditure	**(665)**	(1,601)	(1,927)
Maintenance capital expenditure	**1,453**	615	2,595

Maintenance capital expenditure has increased by £0.8m from H1-20 (£0.6m) and reflects increased investment in cooling equipment in our main data centre which has already delivered an electricity consumption reduction of c.7%. Our core network continues to be upgraded and updated to ensure that capacity, resiliency, and security are optimised.

Customer capital expenditure has decreased to £0.7m (H1-21: 1.6m) and reflects a lower level of new projects as customers continue to defer investment decisions on large scale IT projects.

Adjusted operating profit and adjusted earnings per share

Adjusted operating profit is operating profit excluding amortisation on acquired intangibles, exceptional items, and share-based payment charges. 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.

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Reported operating profit	**3,321**	3,080	12,998
Amortisation of intangible assets arising on business combinations	**3,126**	3,126	6,252
Exceptional items	**665**	1,095	(4,782)
Share-based payments	**284**	294	687
Adjusted operating profit	**7,396**	7,595	15,155

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, and share-based payments.

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Reported operating expenditure	**24,317**	25,573	49,448
Depreciation of ROU assets	**(1,451)**	(1,370)	(4,932)
Depreciation of tangible assets	**(2,606)**	(2,755)	(3,408)
Amortisation of intangibles arising on business combinations	**(3,126)**	(3,126)	(6,252)
Amortisation of other intangible assets	**(407)**	(541)	(1,085)
Exceptional items	**(665)**	(1,095)	4,782
Other operating income	**-**	-	(4,507)
Share-based payments	**(284)**	(294)	(687)
Adjusted operating expenditure	**15,778**	16,392	33,359

Adjusted operating expenditure has reduced by 3.7% to £15.8m (H1-FY21: £16.4m) primarily driven by:

- UK employee costs being reduced by £0.2m, driven by lower commission costs and a focus on overtime expenditure. Excluding Piksel, the Company employed 301 UK employees at 30 September 2021 (H1-21: 292) with an average headcount of 296 (H1-21: 295);
- offshore costs being also £0.2m lower than prior year, reflecting a lower average headcount of 103 (H1-21: 135); and
- a continued focus on rationalising and optimising our core network resulted in a £0.2m reduction in costs.

Adjusted net debt
Adjusted net debt is net debt excluding leases that would have been classified as operating leases under IAS 17.

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Reported net debt	**(15,351)**	(17,010)	(15,569)
Supplier loans	**1,038**	-	1,491
Lease liabilities that would have been classified as operating leases under IAS 17	**13,948**	15,877	15,058
Adjusted net (debt) / cash	**(365)**	(1,133)	980

Profitability and dividend policy

Adjusted EBITDA (£11.9m) and adjusted operating profit (£7.4m) were down 3.2% and 2.6% respectively, with an adjusted EBITDA margin of 26.8% (H1-21: 26.5%) and adjusted operating margin of 16.7% (H1-21: 16.4%).

After accounting for exceptional items of £0.7m (H1-21: £1.1m) and share-based payment costs of £0.3m (H1-21: £0.3m), reported operating profit was 7.8% higher at £3.3m (H1-21: £3.1m).

Net finance costs for the period were £0.5m (H1:21: £0.8m) including £0.4m (H1-21: £0.6m) of IFRS 16 finance charges.

The reported basic and diluted EPS both increased by 23% and were 1.71p and 1.68p respectively (H1-21: 1.39p and 1.36p respectively). Adjusted basic and diluted EPS both decreased marginally by 2% to 3.55p and 3.47p respectively (H1-21: 3.61p and 3.54p 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, which will be paid on 6 January 2022 to shareholders on the register at the close of business on 26 November 2021.

Cash flow and net debt

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

	Six months to 30 September 2021 Unaudited £'000	Six months to 30 September 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Adjusted EBITDA	**11,860**	12,261	24,580
Effect of exchange rates	**-**	18	-
Working capital movements	**(1,880)**	636	1,881
Adjusted cash generated from operations	**9,980**	12,915	26,461
Cash conversion	*84%*	*105%*	*107.7%*
Capital expenditure – cash purchases	**(2,118)**	(1,235)	(2,937)
Capital expenditure – finance lease purchases	**-**	(981)	(2,235)
Proceeds from sale and lease back of assets	**-**	-	1,036
Net capital expenditure	**(2,118)**	(2,216)	(4,136)
Corporation tax	**(5)**	149	(149)
Interest paid	**(292)**	(261)	(398)
Loan arrangement fees/fee amortisation	**-**	41	(17)
Finance lease/term loan interest	**(509)**	(634)	(1,017)
Effect of exchange rates	**-**	1	(27)
Other movements in net debt	**(806)**	(704)	(1,608)
Normalised net debt movement	**7,056**	9,995	20,717
Cash cost of acquisitions net of cash acquired	**(8,366)**	-	-
Cash costs of exceptional items	**5,270**	(2,452)	(8,884)
Remeasurement related to lease modification	**-**	4,221	3,917
Supplier loans	**-**	-	(1,207)
Share issues	**-**	5,775	5,775
Sale of treasury shares	**7**	-	494
Cash received on exercise of share options	**-**	-	36
Dividends	**(3,749)**	-	(1,868)
	(6,838)	7,544	(1,737)
Decrease in net debt	**218**	17,539	18,980
Net debt at the beginning of the period	**(15,569)**	(34,549)	(34,549)
Net debt at the end of the period	**(15,351)**	(17,010)	(15,569)

Net debt reduced by £0.2m in the period to £15.4m and consists of total borrowings of £5.0m (FY-21: £5.8m) and leases previously classified as operating leases under IAS17 of £13.9m (FY-21: 15.1m) less cash balances of £3.6m (FY-21: £5.3m).

Adjusted cash generated from operations of £9.9m (84% cash conversion) has been impacted by the following:

- In previous periods the age profile of trade debtors has aided an offset against the normal H1 creditor outflow, the implementation of D365 in October 2020 facilitated invoices to be issued an average of 10 days earlier, which accelerated payment from customers and benefitted H2-21; and
- tactical decisions to deploy working capital resources to optimise EBITDA resulting in a £0.6m outflow to working capital.

During H1-22 there has been £5.8m of cash benefit due to the receipt of the consideration for the sale of assets relating to EDF Contract on 31 March 2021. The Acquisition net of cash balances as at 30 September 2021 was £8.4m.

At 30 September 2021, the Company had committed a revolving credit facility ("RCF") of £5.0m (£nil utilised at 30 September 2021) and a £7.0m asset financing facility (£1.6m utilised at 30 September 2021). In addition, the Company has access to a £20.0m accordion facility.

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 2022, have not changed from those set out on pages 30 and 31 of the Group's 2021 annual report and accounts, which is available at www.redcentricplc.com. These risks and uncertainties include, but are not limited to the following:

Market and economic conditions
Technology and cyber-security
Competition and market pressures
Business continuity
Loss of a major contract
Environmental impact
Covid-19

Covid-19

The Covid-19 pandemic continues to create an unprecedented and constantly changing challenge to all businesses. As the country gradually emerges from the depths of the pandemic, businesses are evaluating operating models and challenging cost bases to adopt the most efficient way of working. This presents both risks and opportunities to the Group as businesses evaluate migrating from traditional on premise and cloud solutions to hyper-scale cloud and hybrid solutions. The Acquisition furnishes the Group with the skills and expertise required to provide these services to existing and new customers and we are already beginning to see increased activity in this area.

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	Chief Financial Officer
Peter Brotherton	**David Senior**
17 November 2021	17 November 2021

Redcentric plc

Condensed consolidated statement of comprehensive income for the six months ended 30 September 2021

	Note	**Six months to 30 September 2021 Unaudited £'000**	Six months to 30 September 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Revenue	5	**44,322**	46,241	91,399
Cost of sales		**(16,684)**	(17,588)	(33,460)
Gross Profit		**27,638**	28,653	57,939
Operating expenditure		**(24,317)**	(25,573)	(49,448)
Operating income		**-**	-	4,507
Adjusted EBITDA[1]		**11,860**	12,261	24,580
Depreciation of property, plant, and equipment		**(2,606)**	(2,755)	(3,408)
Amortisation of intangibles		**(3,533)**	(3,667)	(7,337)
Depreciation and Amortisation of ROU assets		**(1,451)**	(1,370)	(4,932)
Exceptional items	6	**(665)**	(1,095)	4,782
Share-based payments		**(284)**	(294)	(687)
Operating profit		**3,321**	3,080	12,998
Finance costs	7	**(549)**	(828)	(1,460)
Profit on ordinary activities before taxation		**2,772**	2,252	11,538
Income tax expense	8	**(97)**	(146)	(2,311)
Profit for the period attributable to owners of the parent		**2,675**	2,106	9,227
Other comprehensive income				
Items that may be classified to profit or loss:				
Currency translation differences		**-**	18	103
Deferred tax movement on share options		**-**	-	(224)
Total comprehensive income for the period		**2,675**	2,124	9,106
Earnings per share				
Basic earnings per share	9	**1.71p**	1.39p	6.01p
Diluted earnings per share	9	**1.68p**	1.36p	5.93p

[1] For an explanation of the alternative performance measures used in this report, please refer to page 7.

Redcentric plc

Condensed consolidated statement of financial position as at 30 September 2021

	Note	**30 Sept 2021 Unaudited £'000**	30 Sept 2020 Unaudited £'000	31 March 2021 Audited £'000
Non-Current Assets				
Intangible assets		**73,106**	65,697	65,929
Property, plant, and equipment		**5,133**	15,826	5,834
Right-of-use assets		**17,456**	15,694	18,787
Deferred tax asset		**2,055**	2,098	561
		97,750	99,315	91,111
Current Assets				
Inventories		**969**	134	1,061
Trade and other receivables	10	**19,774**	17,899	25,663
Cash and short-term deposits		**3,553**	6,946	5,250
		24,296	24,979	31,974
Total assets		**122,046**	124,294	123,085
Current Liabilities				
Trade and other payables	11	**(24,054)**	(18,605)	(22,459)
Corporation tax payable		**(684)**	(579)	(641)
Loans and borrowings	12	**(498)**	(66)	(487)
Leases	12	**(3,855)**	(4,030)	(3,735)
Provisions	13	**(548)**	(8,572)	(574)
		(29,639)	(31,852)	(27,896)
Non-current liabilities				
Loans and borrowings	12	**(540)**	(2,710)	(1,004)
Leases	12	**(14,011)**	(17,151)	(15,593)
Provisions	13	**(2,744)**	(2,806)	(2,695)
		(17,295)	(22,667)	(19,292)
Total liabilities		**(46,934)**	(54,519)	(47,188)
Net assets		**75,112**	69,775	75,897
Equity				
Called up share capital	14	**156**	156	156
Share premium account	14	**73,267**	72,931	73,267
Capital redemption reserve		**(9,454)**	(9,454)	(9,454)
Own shares held in treasury	14	**(19)**	(180)	(32)
Retained earnings		**11,162**	6,322	11,960
Total equity		**75,112**	69,775	75,897

Redcentric plc

Condensed consolidated statement of changes in equity as at 30 September 2021

	Share Capital	Share Premium	Capital Redemption Reserve	Own Shares Held in Treasury	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2020	149	65,734	(9,454)	(724)	4,096	59,801
Profit for the period	-	-	-	-	2,106	2,106
Transactions with owners						
Share-based payments	-	-	-	-	257	257
Issue of new shares	7	7,197	-	-	-	7,204
Share options exercised	-	-	-	544	(155)	389
Other comprehensive income						
Currency translation differences	-	-	-	-	18	18
At 30 September 2020	156	72,931	(9,454)	(180)	6,322	69,775
Profit for the period	-	-	-	-	7,121	7,121
Transactions with owners						
Share-based payments	-	-	-	-	325	325
Issue of new shares	-	336	-	-	-	336
Dividends paid	-	-	-	-	(1,868)	(1,868)
Share options exercised	-	-	-	148	(43)	105
Other comprehensive income						
Deferred tax movement on share options	-	-	-	-	224	224
Currency translation differences	-	-	-	-	(121)	(121)
At 31 March 2021	156	73,267	(9,454)	(32)	11,960	75,897
Profit for the period	-	-	-	-	2,675	2,675
Transactions with owners						
Share-based payments	-	-	-	-	276	276
Issue of new shares	-	-	-		-	-
Dividends paid	-	-	-	-	(3,749)	(3,749)
Share options exercised	-	-	-	13	-	13
Other comprehensive income						
Deferred tax movement on share options	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-
At 30 September 2021	**156**	**73,267**	**(9,454)**	**(19)**	**11,162**	**75,112**

Redcentric plc

Consolidated cash flow statement for the six months ended 30 September 2021

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Operating profit/(loss)	**3,321**	3,080	12,998
Adjustment for non-cash items			
Depreciation and amortisation	**7,590**	7,792	15,677
Exceptional items	**665**	1,095	(4,782)
Share-based payments	**284**	294	687
Operating cash flow before exceptional items and movements in working capital	**11,860**	12,261	24,580
Loss on sale of fixed asset	**-**	-	-
Exceptional items and NI on share-based payments	**5,270**	(2,452)	(8,884)
Operating cash flow before changes in working capital	**17,130**	9,809	15,696
Changes in working capital			
Decrease / (increase) in inventories	**390**	757	(15)
Decrease in trade and other receivables	**1,994**	5,754	4,432
Decrease in trade and other payables	**(4,264)**	(5,875)	(2,536)
Cash generated from operations	**15,250**	10,445	17,577
Tax (paid) / received	**(5)**	149	(149)
Net cash generated from operating activities	**15,245**	10,594	17,428
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	**(8,366)**	-	-
Purchase of property, plant, and equipment	**(1,664)**	(1,046)	(1,541)
Purchase of intangible fixed assets	**(454)**	(189)	(1,397)
Net cash used in investing activities	**(10,484)**	(1,235)	(2,938)
Cash flows from financing activities			
Dividends paid	**(3,749)**	-	(1,868)
Disposal of treasury shares on exercise of share options	**7**	-	494
Cash received on exercise of share options	**-**	-	36
Interest paid	**(400)**	(823)	(1,415)
Sale and leaseback	**-**	1,439	1,036
Repayment of leases	**(2,316)**	(2,532)	(4,481)
Repayment of revolving credit facility	**-**	(10,000)	(12,500)
Issue of shares	-	5,775	5,775
Net cash used in financing activities	**(6,458)**	(6,141)	(12,923)
Net (decrease) / increase in cash and cash equivalents	**(1,697)**	3,218	1,567
Cash and cash equivalents at beginning of period	**5,250**	3,710	3,710
Effect of exchange rates	**-**	18	(27)
Cash and cash equivalents at end of the period	**3,553**	6,946	5,250

Redcentric plc

Notes to the condensed set of financial statements for the six months ended 30 September 2021

1. General information

The financial statements for the six months ended 30 September 2021 and the six months ended 30 September 2020 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2021 were approved by the Board on 15 July 2021 and delivered to the Registrar of Companies. 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 half year financial statements were approved for issue by the Board of Directors on 17 November 2021.

Redcentric plc is a company domiciled in England and Wales. These condensed half year financial statements comprise the Company and its subsidiaries (together referred to as the "Company" or the "Group"). The principal activity of the Company is the supply of IT managed services.

2. Accounting policies

Basis of preparation

These condensed half year financial statements for the half year ended 30 September 2021 have been prepared in accordance with the AIM Rules for Companies, comply with IAS 34 Interim Financial Reporting as adopted by the European Union and should be read in conjunction with the annual financial statements for the year ended 31 March 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Going concern

As at 30 September 2021 the Company was party to a £5.0m revolving credit facility ("RCF") with a £20.0m accordion; both have a termination date of 30 June 2022 and were undrawn as at the reporting date. The Company also has a £7.0m asset financing facility, with no fixed termination date, of which £1.6m was utilised at the reporting date.

Following the preparation of the Company's budget, which is planned to be completed in December 2021, the Company will undertake a comprehensive re-financing exercise. This is expected to be completed by 31 March 2022, to ensure that sufficient funding is available for further acquisition activity.

The Board has reviewed a detailed trading and cash flow forecast for a period which covers at least 12 months after the date of approval of these condensed half year financial statements. As Piksel is aligned to Redcentric's payment practices, a negative working capital impact in the second half of FY22 is expected, it is expected that Piksel will be cash generative in FY23. Notwithstanding this, there is a high and continuing level of recurring revenue and high cash conversion is anticipated for the foreseeable future.

Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment presents several 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 because of general economic conditions and Brexit. If future trading performance significantly under-performs the Group's forecasts, this could impact the ability of the Group to comply with its covenant tests over the period of the forecasts.

The uncertainty as to the future impact on the Group of the Covid-19 pandemic has been separately considered as part of the Board's consideration of the going concern basis of preparation. Whilst the Group has observed an absence of large-scale IT projects these are not seen as materially negative and the trading performance over the duration of the pandemic to date has been positive. However, due to the continuing uncertainty over the duration and extent of the impact of Covid-19, the Board has modelled a severe but plausible downside scenario when preparing the forecasts. The Board has also considered the impact of the ongoing Covid-19 challenges in India on the employees and business operations.

2. Accounting policies (continued)

The downside scenario assumes significant economic downturn over FY22 resulting in 50% reduction of forecast new order intake and 50% reduction in non-recurring revenues. This scenario also models the impact of the loss of a key customer and severe negative working capital assumptions with no mitigating actions implemented to reduce discretionary spend. Under the downside scenario modelled, the forecasts demonstrate that the Group is expected to maintain sufficient liquidity and remain in compliance with covenants whilst still maintaining adequate headroom against overall facilities until March 2022 when a new bank facility is expected to be put in place.

The Board therefore remains 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 of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

The financial information is presented in sterling, which is the functional currency of the Company. All financial information presented has been rounded to the nearest thousand.

3. Critical accounting judgements and key sources of estimation uncertainty

Trade debtors impairment provision

The key source of estimation uncertainty that carries a significant risk of material change to the carrying value of assets and liabilities within the next year is with regard to credit note provisioning, where provision is made for the value of credit notes that the Company expects to subsequently issue to correct for estimated inaccurate invoices issued to date. Following the FY21 year end the basis for provision was reviewed considering the level of historical credit notes raised, and accordingly, the provision was 1.0% of recurring revenue.

Identification of intangible assets

The allocation of the value of the excess consideration less the net assets acquired are identified as intangible assets arising as part of a business combination, these require judgement in respect of the separately identifiable intangible assets that have been acquired. These judgements are based upon the Board's opinion of the identifiable assets from which economic benefits are derived.

Fair value of assets acquired on business combinations

In accordance with IFRS 3 'Business Combinations', on the acquisition of Piksel Limited, discussed in note 15, the Group measured the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. In most cases the fair value was not materially different from the carrying values; however, £3.69m of intangible assets other than goodwill were recognised.

The valuation was undertaken using a multi-period excess earnings method and relief from royalty method for valuing customer relationships and brands respectively. The key estimates which underly these valuations in addition to management's estimate of future revenue, profits and cash generation are:

Required rate of return	10.3%
Long term revenue growth rate	2.0%
EBITDA margin for FY24 onwards	11.5%
Royalty rate based on benchmark average	2.0%
Corporation tax rate	19% to FY23, 25% in FY24 and terminal

4. Segmental reporting

IFRS 8 requires operating segments to be identified based on internal financial information reported to the chief operating decision-maker for decision-making purposes. The Group considers that this role is performed by the Board. The Board believes that the Group continues to comprise a single reporting segment, being the provision of managed services to customers.

5. Revenue analysis

Revenue for the six months ended 30 September 2021 was generated wholly from the UK and is analysed as follows:

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Recurring revenue	**39,570**	41,047	81,897
Product revenue	**2,875**	3,254	5,072
Services revenue	**1,877**	1,940	4,430
Total revenue	**44,322**	46,241	91,399

6. Exceptional items

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Professional fees associated with Financial Conduct Authority investigation	**8**	(13)	57
Insurance advisor provision	**-**	-	553
Staff restructuring	**128**	383	393
Vacant property lease provisions net of costs	**-**	13	-
Onerous service contracts	**-**	224	148
Acquisition of subsidiaries	**494**	-	-
Circuit termination charges	**-**	-	4
Restitution	**28**	(225)	(2,172)
Loss on lease modification	**-**	649	649
Sale costs	**-**	64	93
Costs / (profit) upon sale of non-core business unit	**7**	-	(4,507)
	665	1,095	(4,782)

7. Finance income and costs

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Finance income			
Other interest receivable	**-**	-	-
	-	-	-
Finance costs			
Interest payable on bank loans and overdrafts	**(13)**	(151)	(240)
Interest payable on leases	**(518)**	(634)	(1,165)
Amortisation of loan arrangement fees	**(18)**	(43)	(55)
	(549)	(828)	(1,460)

For the six months to 30 September 2021 interest payable on leases includes £433,000 (H1-21: £562,000) of IFRS 16 interest expense.

8. Income tax expense

The tax expense recognised reflects management estimates of the tax charge for the period and has been calculated using the estimated average tax rate of UK corporation tax for the financial year of 19.0% (H1-21: 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 2021 Unaudited £'000**	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Statutory earnings	**2,675**	2,106	9,227
Tax charge	**97**	146	2,311
Amortisation of acquired intangibles	**3,126**	3,126	6,252
Share-based payments	**284**	294	687
Exceptional items	**665**	1,095	(4,782)
Adjusted earnings before tax	**6,847**	6,767	13,695
Notional tax charge at standard rate	**(1,301)**	(1,286)	(2,602)
Adjusted earnings	**5,546**	5,481	11,093

Weighted average number of ordinary shares	**Number '000**	Number '000	Number '000
Total shares in issue	**156,184**	151,932	153,930
Shares held in treasury	**(21)**	(204)	(439)
For basic EPS calculations	**156,163**	151,728	153,491
Effect of potentially dilutive share options	**3,441**	2,982	2,215
For diluted EPS calculations	**159,604**	154,710	155,706

EPS	**Pence**	Pence	Pence
Basic	**1.71p**	1.39p	6.01p
Adjusted	**3.55p**	3.61p	7.23p
Basic diluted	**1.68p**	1.36p	5.93p
Adjusted diluted	**3.47p**	3.54p	7.12p

10. Trade and other receivables

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Trade Receivables	**9,015**	8,414	10,268
Less: credit note provision	**(1,115)**	(1,145)	(1,104)
Trade receivables – net	**7,900**	7,269	9,164
Other receivables	**594**	619	5,825
Prepayments	**6,956**	5,739	6,579
Commission contract asset	**1,877**	2,566	2,096
Accrued income	**2,447**	1,706	1,999
Total	**19,774**	17,899	25,663

10. Trade and other receivables (continued)

Trade debtor days were 31 at 30 September 2021 (30 September 2020: 33). The ageing of trade receivables is shown below:

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Current	**7,188**	7,017	9343
1 to 30 days overdue	**1,561**	907	600
31 to 60 days overdue	**126**	530	282
61 to 90 days overdue	**115**	(74)	21
91 to 180 days overdue	**25**	46	21
> 180 days overdue	**-**	(12)	1
Gross trade debtors	**9,015**	8,414	10,268
Credit note provision	**(1,115)**	(1,145)	(1,104)
Net trade debtors	**7,900**	7,269	9,164

11. Trade and other payables

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Trade Payables	**7,245**	6,454	8,470
Other Payables	**982**	349	243
Taxation and Social Security	**3,128**	2,021	2,390
Accruals	**4,297**	2,444	3,885
Deferred Income	**8,402**	7,337	7,471
Total	**24,054**	18,605	22,459

Trade creditor days were 41 at 30 September 2021 (30 September 2020: 36).

12. Borrowings

	Six months to 30 Sept 2021 Unaudited £'000	Six months to 30 Sept 2020 Unaudited £'000	Year ended 31 March 2021 Audited £'000
Current			
Lease liabilities	**3,855**	4,030	3,735
Term loans	**498**	101	487
Unamortised loan arrangement fees	**-**	(35)	-
Total	**4,353**	4,096	4,222
Non-current			
Lease liabilities	**14,011**	17,151	15,593
Term Loans	**540**	233	1,004
Bank Loans	**-**	2,500	-
Unamortised loan arrangement fees	**-**	(23)	-
Total	**14,551**	19,861	16,597

13. Provisions

	Restitution provision £'000	Scheme fees provision £'000	Dilapidation provision £'000	Vacant property provision £'000	Total provision £'000
At 1 April 2020	11,429	-	2,526	698	14,653
Additional provisions in the period	130	-	280	-	410
Released during the period	(598)	-	-	-	(598)
Utilised during the period	(2,761)	-	-	(326)	(3,087)
At 30 September 2020	**8,200**	**-**	**2,806**	**372**	**11,378**
Additional provisions in the period	-	553	53	21	627
Released during the period	(1,574)	-	(164)	(193)	(1,931)
Utilised during the period	(6,626)	-	-	(179)	(6,805)
At 31 March 2021	**-**	**553**	**2,695**	**21**	**3,269**
Additional provisions in the period	-	-	49	-	49
Released during the period	-	-	-	-	-
Utilised during the period	-	(26)	-	-	(26)
At 30 September 2021	**-**	**527**	**2,744**	**21**	**3,292**
Analysed as:					
Current	-	527	-	21	548
Non-current	-	-	2,744	-	2,744
At 30 September 2021	**-**	**527**	**2,744**	**21**	**3,292**

14. Share capital and share premium

	Ordinary shares of 0.1p each		Share premium
	Number	£'000	£'000
At 1 April 2020	149,310,713	149	65,734
New shares issued	6,854,997	7	7,533
At 31 March 2021	156,165,710	156	73,267
New shares issued	50,000	-	-
At 30 September 2021	**156,215,710**	**156**	**73,267**

At the start of the period the Company held in treasury 33,284 of its ordinary share capital. During the period, following notices of exercise in relation to employee share options, 13,581 shares previously held in treasury were transferred to satisfy the exercises. At 30 September, the Company's issued share capital consisted of 156,215,710 ordinary shares of which 19,703 which remain in treasury.

15. Business combinations

On 29 September 2021, the Company's subsidiary, Redcentric Solutions Ltd, completed the Acquisition for US$13.0m (c.£9.5m) payable in cash, of which US$12.0m (c.£8.8m) was payable immediately and US$1.0m (c.£0.7m) held in escrow for a period of 12 months. Pursuant to terms of the sales and purchase agreement in relation to the Acquisition, the purchase price was subsequently increased by £0.1m due to a revised assessment of Piksel's latest research & development tax claim submission to HMRC.

Piksel provides IT modernisation and digital transformation services, focussing on public cloud. It also delivers security and IT managed services and has a strong application development and DevOps capability. Its managed IT services are provided across a broad range of industry verticals, with a particular focus on Amazon Web Services and Microsoft Azure. The Acquisition gives Redcentric leading-edge skills and capabilities in public cloud and security to enable it to immediately provide additional solutions to an enlarged customer base.

15. Business combinations (continued)

As at 30 September 2021, Piksel had net assets of £1.9m including an assumed intra-group debtor of £3.1m, which is to be written off post acquisition, and cash on the balance sheet of £1.0m. Subsequent to the locked box date, it was agreed that the purchase price be increased by £0.1m due to a revised assessment of Piksel's latest RDEC claim with HMRC.

In addition, a provisional payment price allocation exercise led to the recognition of a £3.7m intangible asset, which comprises value associated the Piksel tradename and customer relationships. Note 3 details the methods used to value these identified intangible assets and sets out the key estimates and uncertainties therein.

Effect of the Acquisition

The Acquisition had the following effect on the Group's assets and liabilities:

	Provisional fair values on acquisition £'000
Intangible assets	32
Property, plant, and equipment	36
Deferred tax asset	972
Trade and other receivables	5,694
Cash and cash equivalents	965
Total assets	7,699
Trade and other payables	(5,685)
Net assets	**2,014**
Identified intangible assets	3,685
Net assets acquired	**5,699**
Goodwill	7,013
Total consideration	**12,712**
Satisfied by:	
Cash	8,782
Cash held in escrow	732
Total cash consideration	9,514
Subsequent adjustments to consideration	129
Intra-group debtor to be written off	3,069
Total consideration	**12,712**

Goodwill

Goodwill arising on the business combination represents the excess of the acquisition cost over the fair value of the Group's share of the identifiable net assets of Piksel at the acquisition date excluding the intra-group debtor, which is to be written off. Goodwill includes intangible assets that do not qualify for separate recognition such as the value of the future income from new customers, the potential cross-selling opportunity and the assembled work force of highly skilled technical individuals.

Acquired receivables

The fair value of acquired receivables of £2.3m is materially the same as the gross contractual receivable less the best estimate of contractual cash flows not expected to be collected.

Acquisition related costs

The Group incurred acquisition related cost of £0.5m related to advisory fees and stamp duty land tax. These costs have been included in exceptional costs in the Group's consolidated statement of comprehensive income.

Revenue and profit contribution

As noted above, whilst the Group's consolidated statement of comprehensive income does not include Piksel's results for August and September, the consolidated statement of financial position reflects the benefit generated in that period with Piksel delivering £2.1m of revenue and £0.1m profit before tax.