29 November 2017

Redcentric plc

Half year results for the six months ended 30 September 2017 (unaudited)

Solid first six months with strong operating cash flows and a reduction in net debt

Redcentric plc ("Redcentric" or "the Group") (AIM: RCN), a leading UK IT managed services provider, today announces its unaudited interim results for the six months to 30 September 2017.

Key financial measures	**Six months to 30 Sept 2017**	Six months to 30 Sept 2016 (restated)	Change
Revenue (£m)	**51.4**	51.8	(0.8)%
Recurring monthly revenue (RMR) (£m)	**44.6**	44.7	(0.1)%
Adjusted EBITDA (£m)[1]	**9.1**	8.9	1.1%
Gross profit (£m)	**30.5**	29.9	2.0%
Gross margin (%)	**59.4**	57.8	160bps
Adjusted diluted EPS (p)[2]	**2.4**	2.4	0.0%
Adjusted operating cash flow (£m)[3]	**11.3**	6.9	63.8%
Net debt (£m)[4]	**33.3**	34.2	(2.6)%
Statutory results			
Operating profit (£m)	**0.5**	(1.9)	
Loss before tax (£m)	**(0.0)**	(2.5)	
Cash generated from operations (£m)	**10.5**	6.1	
Basic EPS (p)	**(0.04)**	(1.17)	

[1]Adjusted EBITDA refers to underlying operating profit before depreciation, amortisation, non-recurring costs and share based payments.
[2]Adjusted Earnings per Share excludes amortisation of acquired intangibles, non-recurring items and share-based payments and replaces the reported tax credit with a notional tax charge at the full rate of corporation tax.
[3]Adjusted operating cash flow is before non-recurring items.
[4]Net debt is the sum of cash less bank balances, bank loans and overdrafts and other financial liabilities. The Finance Review provides a breakdown of net debt for the current and prior periods.

Highlights

- Trading results in line with the equivalent period last year
- Recurring revenues remain high at 87% of total revenue (H1 FY16/17: 86%)
- Strong operating cash flows as a result of positive working capital movements of £2.3m , reflecting success of initiatives to improve billing accuracy and cash collections
- Net debt reduced by £6.2m over the six month period
- The Board has been strengthened following the appointment of Chris Jagusz as Chief Executive Officer in October 2017
- Remedial plan implemented with a significantly enhanced finance team and financial controls now in place
- Optimisation of the cost base with a reduction in headcount and the closure of an office and third party data centre
- Strategic moves to support the customer trend toward cloud-based compute, storage and services
- Trading in the period was in-line with the Board's expectations and the outlook for the Group is encouraging

Chris Cole, Non-Executive Chairman, commented:

"Over the last six months we have focused on improving operating cash flows, reducing net debt and right-sizing the cost base of the business. We have made excellent progress in all of these areas:

- During the first half of the financial year, operating cash flows exceeded adjusted EBITDA by £2.3m, representing a cash conversion of 125%. This has been achieved as a result of a significant improvement in the invoicing and collection processes.
- Net debt at 30 September 2017 stood at £33.3m, representing a £6.2m reduction over the six month period.
- Actions taken to reduce operating costs with the full effects of cost savings to be realised in the second half of this financial year.

A year has now passed since the announcement of the accounting misstatements. Over this period the Board and the Company's employees have worked tirelessly to get the business back on to a "business as usual" footing.

The Chief Financial Officer, Peter Brotherton, has been in place for a year now. Over this time he has rebuilt and strengthened both the finance team and the financial systems and processes within the business. He and his team are engaged in all areas of the business and this is evidenced in the results for the first six months of the financial year.

In October 2017 the Board was further strengthened by the appointment of Chris Jagusz as Chief Executive Officer. Chris brings with him a wealth of sector and managerial experience. Now that the business has been stabilised, Chris's focus will be entirely forward looking. He has already started work on refining the strategy of the business and driving top line revenue growth."

Chris Jagusz, Chief Executive Officer, commented:

"I am delighted to have joined the Company. Despite the significant problems encountered as a result of the accounting misstatements, the business is fundamentally strong. Its product offering is well aligned to the demands of customers, it has a strong and loyal recurring revenue customer base and the business is cash generative. The issues surrounding the accounting misstatements have been addressed and so my focus is on providing the business with a clear strategy to enable the business to grow."

For further enquiries please contact:

Redcentric plc	+44 (0)845 034 111
Chris Jagusz, Chief Executive Officer	
Peter Brotherton, Chief Financial Officer	
Tulchan	+44 (0)20 7353 4200
James Macey White / Matt Low	
Numis Securities Limited – Nomad and Joint Broker	+44 (0)20 7260 1000
Simon Willis / Oliver Hardy	
finnCap Ltd - Joint Broker	+44 (0)20 7220 0500
Stuart Andrews / Rhys Williams	

This announcement contains inside information. There will be a presentation for analysts held at 09:30hrs on 29 November 2017 at the offices of Tulchan Communications, 85 Fleet Street, EC4 1AE. Please contact redcentric@tulchangroup.com if you would like to attend.

Half Year Review

For the Six months to 30 September 2017

Results and performance

The Group's results for the period are in line with the equivalent period last year. Revenue was £51.4m, very similar to last year, and EBTIDA was £9.1m, £0.2m ahead of last year. Cash flows for the period were strong resulting in a net debt reduction of £6.2m. New appointments together with the merging of the billing and credit control teams have had a positive effect on cash collections and debtors ageing.

The financial performance of the business is covered in detail in the Finance Review. Key highlights include:

- 87% of the Company's revenue is recurring in nature
- The business is profitable, delivering an adjusted EBITDA margin of 17.7%
- The business is cash generative and working capital is tightly controlled
- Strengthened balance sheet with net debt reduced by £6.2m

This is an extremely good base on which to build.

Cost reduction

During the period we undertook a review of the Company's cost base. Our review focused on two areas:

- Rationalisation of property portfolio
    - During the period, we consolidated our data centre customers meaning that we were able to vacate one of our third party data centres and allow the lease to lapse. This yielded annualised savings of £0.5m.
    - We closed our London office during the period and transferred the relevant staff to our Shoreditch data centre. Annualised savings of £0.3m were made as a result.
- Staff restructuring
    - As part of the restructuring exercise, a headcount reduction of 20 was achieved, resulting in annualised savings of £1.2m

The combined effect of these measures is that £2.0m has been removed from the Company's annualised cost base. Some of these costs have been reflected in the results for the period but the full effect will be realised in the second half of the financial year.

New strategic initiatives

H1 FY17/18 has seen the development of several strategic initiatives for the Company building on its strong foundations in a health sector market in transformation, and the continuing transition of customers' computing workloads to the cloud.

- **Health and Social Care Network Peering Exchange**

The new Health and Social Care Network (HSCN) provides a reliable, efficient and flexible way for health and social care organisations to access and exchange electronic information. In January 2017 Redcentric announced it had been awarded the prestigious multi-year contract for the Peering Exchange at the core of the HSCN, and it has now been implemented. All accredited service providers to the public and private health sector will interconnect their networks at the Peering Exchange, putting Redcentric at the heart of the HSCN community.

- **HSCN Consumer Network Service Provider**

All NHS organisations are required to buy their connectivity from HSCN. In May 2017 Redcentric became the first commercial provider of the legacy NHS National Network (N3) to become accredited to provide HSCN connections. This builds on the Company's strong position as a connectivity provider direct to commercial health organisations and the community of independent software vendors supporting them, and opens up new markets selling direct to the NHS.

- **Hosted Collaboration Solution**

The Redcentric Hosted Collaboration Solution (HCS) provides customers with messaging, voice and video communications to improve their agility, application integration and control in an affordable and flexible way. HCS can be overlaid as an additional service on Redcentric's connectivity solutions for commercial and health sector customers, enabling, for example, collaboration across complex large NHS organisations and between multiple health and social care agencies.

- **Services for Crown Hosting customers**

The Crown Hosting Service is data centre colocation specifically for the UK public sector. It provides a Government-accredited rapid route to the cloud avoiding technology and vendor lock-in. Redcentric will enable public sector organisations to accelerate their use of Crown Hosting with connectivity, design, implementation, migration, monitoring and management services for customer-owned infrastructure in Crown Hosting data centres. Other Redcentric services available to Crown Hosting customers include HSCN, Database-as-a-Service and managed Microsoft Azure Stack.

- **Microsoft Azure and Amazon Web Services (AWS)**

As a Microsoft Cloud Solution Provider and Amazon Web Services Partner Network Consulting Partner, Redcentric helps its customers create and implement sophisticated cloud strategies which can blend systems and services on-premise, at Redcentric data centres and in the Azure AWS public clouds.

Dividend

While the Group's cash generation has improved, the Board has decided that it is not appropriate to pay a dividend in respect of the half year ended 30 September 2017. The Board would keep the matter under review and would give guidance on our dividend policy when the full year results are announced in June 2018.

Board

In October 2017, the Group announced the appointment of Chris Jagusz as Chief Executive Officer. Chris has over twenty-five years of experience in the telecoms and managed services industry, during which time he has built a track record of delivering growth and business transformation.

In June 2017, the Group appointed Stephen Vaughan to the Board as Non-Executive Director. Through his career, Mr Vaughan has held a number of executive and non-executive roles focused on the technology sector. Until 2015, Mr Vaughan was Chief Executive of Phoenix IT Group plc, the main-market listed IT Infrastructure Services business.

Summary and outlook

We are pleased with the performance of Redcentric in the first half with results in line with the equivalent period last year. Good progress has been made in improving operating cash flows, reducing net debt and right-sizing the cost base. Operationally the business has continued to add new customers and increase its share of wallet from existing relationships, in line with our growth strategy. As Redcentric returns to a normal financial footing, focus now turns to resuming revenue growth supported by a strong track record and a product portfolio well-suited to address demand from mid-market businesses in the UK. The Board believes that the outlook for the Group is encouraging.

Prior year comparatives

The prior half year comparative numbers for the 6 months ended 30 September 2016 have been restated from those issued and presented in December 2016. At the time these numbers were released, the forensic review had just been completed. Further to this review, all of the Company's subsidiaries' accounts were re-audited resulting in additional adjustments, the Indian operation was correctly accounted for as a subsidiary rather than a branch and errors in the group consolidation were eliminated. The prior year comparative figures are presented on a consistent basis with the audited figures for the full year ended 31 March 2017. The detail of the prior year restatement is as per note 15.

Finance Review

Revenue

Revenue for the six months to 30 September 2017 was £51.4m, a very slight reduction of £0.5m on the equivalent period last year.

	Six months to 30 Sept 2017 £'000	Six months to 30 Sept 2016 (restated) £'000	Variance £'000	%
Recurring monthly revenue	**44,644**	44,682	(38)	(0.1)%
Product sales	**4,121**	3,094	1,027	33.2%
One off service revenue	**2,609**	4,073	(1,464)	(35.9)%
	51,374	51,849	(475)	(0.9)%

The Company's prime focus is on recurring monthly revenues ("RMR") but product and service sales are undertaken to support the recurring revenue base. Product and Services revenues can fluctuate from period to period.

The key revenue metric of RMR was in-line with the equivalent period last year and accounted for 87% of total revenue (H1 FY16/17: 86%).

Gross profit

	Six months to 30 Sept 2017 £'000	Six months to 30 Sept 2016 (restated) £'000	Variance £'000	%
Gross profit	**30,507**	29,947	560	1.7%
Gross margin	**59.4%**	57.8%		

Gross profit increased by £0.6m largely reflecting improved management of third party costs.

Adjusted Operating costs

	Six months to 30 Sept 2017 £'000	Six months to 30 Sept 2016 (restated) £'000	Variance £'000	%
Staff costs	**11,940**	11,946	(6)	(0.1)%
Office and data centre costs	**3,589**	3,716	(127)	(3.4)%
Network and equipment costs	**3,286**	2,812	474	16.9%
Other sales, general and administration costs	**1,575**	1,738	(163)	(9.4)%
Offshore costs	**999**	773	226	29.2%
	21,389	20,985	404	1.9%

Adjusted operating costs excludes depreciation, amortisation, non-recurring costs and share based payments.

Employees

Headcount	**30 Sept 2017**	30 Sept 2016	Variance
UK	**366**	387	(21)
India	**140**	139	1
Total	**506**	526	(20)

Overall, adjusted operating costs for H1 FY17/18 were £0.4m (1.9%) higher compared to the equivalent period last year. Management have been focused on improving the operating cost base of the group and significant actions have been taken with the full annualised benefit to be effective in the second half of the year.

Office and data centre costs were down on the equivalent period last year reflecting the closure of the London office and a third party data centre.

On 30th September 2016, the Company disposed of its fibre network to City Fibre and now pays a monthly rental fee for use of certain parts of the network. This has resulted in an increase in network and equipment costs.

Savings have also been made in other sales, general and administration costs, achieved by reducing the number of third party consultants in the business and a tighter control of marketing and corporate costs. In addition selective headcount reduction has been made which has resulted in employee cost savings.

During H1 FY17/18, the Company moved its Indian service centre to larger offices to facilitate potential expansion. The additional costs associated with these larger offices account for most of the increase over H1 FY16/17.

Adjusted Earnings Before Interest, Taxation and Amortisation (EBITDA)

	Six months to 30 Sept 2017	Six months to 30 Sept 2016 (restated)	Variance	
	£'000	£'000	£'000	%
Adjusted EBITDA	**9,118**	8,962	156	1.7%
Adjusted EBITDA margin	**17.7%**	17.3%		

Adjusted EBITDA is the key measure that the Company uses to assess the underlying profitability of the business. Adjusted EBITDA excludes non-recurring items and share based payments.

Adjusted EBITDA increased by £0.2m or 1.7% to £9.1m reflecting an increase in gross profit of £0.6m and an increase in operating costs of £0.4m.

Non-recurring items

	Six months to 30 Sept 2017	Six months to 30 Sept 2016 (restated)	Variance	
	£'000	£'000	£'000	%
Professional fees associated with the forensic review and Financial Conduct Authority (FCA) investigation	**509**	-	509	100.0%
Integration & restructuring	**840**	282	558	197.9%
Non recurring impairment of trade debtor balances	**-**	2,933	(2,933)	(100.0)%
Sale of metro ring to City Fibre	**-**	207	(207)	(100.0)%
Vacant property provisions	**-**	266	(266)	(100.0)%
	1,349	3,688	(2,339)	(63.4%)

Overall, the level of non-recurring items has decreased from £3.7m to £1.3m. The key movements are as follows:

- Professional fees associated with the forensic review and FCA investigation
  - These costs relate to legal and forensic advice received in respect of the ongoing FCA investigation.
- Integration and restructuring costs
  - The integration costs relate to the integration of the City Lifeline acquisition which was undertaken in January 2016.
  - Following the forensic review, the Company undertook a cost reduction exercise and one off redundancy costs were incurred as a result.
- Non recurring impairment of trade debtor balances
  - Following the audit of the 31 March 2017 annual results, a further debtor impairment charge was taken in H1 FY16/17.
- Sale of metro ring to City Fibre
  - On 30 September 2016, the Company disposed of its fibre network assets. This led to a one off loss on disposal of £0.3m in H1 FY16/17.

Net financing costs

	Six months to 30 Sept 2017 £'000	Six months to 30 Sept 2016 (restated) £'000	Variance £'000	%
Interest receivable				
Other interest receivable	**(257)**	-	(257)	(100.0)%
Interest payable				
Interest payable on bank loans and overdrafts	**724**	563	162	28.8%
Amortisation of loan arrangement fees	**34**	34	-	-
	758	597	162	27.2%
Net financing costs	**501**	597	(95)	(15.9)%

During H1 FY17/18, the Company received an interest payment of £257k in respect of historical supplier overcharges dating back to the period 2006 to 2011. This interest income is therefore non-recurring in nature.

The higher interest payable costs in H1 FY17/18 reflect the higher level of debt throughout the period and the increased interest margin payable following the RCF restructuring undertaken in April 2017.

Share-based payments

	Six months to 30 Sept 2017 £'000	Six months to 30 Sept 2016 (restated) £'000	Variance £'000	%
SAYE schemes	**132**	87	45	52%
Director and senior manager schemes	**65**	(117)	182	156%
MXC options	**148**	317	(169)	(53)%
Employers NI	**-**	61	(61)	(100)%
	345	348	(3)	(1)%

The share based payments charge for SAYE schemes increased in the period due to the number of employees within the scheme.

Taxation

Current tax for the six-month period represents the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six-month period. Deferred tax is calculated based on the expected annual outturn.

The charge to the condensed consolidated statement of comprehensive income reflects;

i) The revenue attributable to City Lifeline which has no trading losses with which to offset.
ii) Overseas tax paid via Redcentric Solutions Private Ltd, a wholly owned subsidiary of the Group incorporated in India.
iii) Movement in the deferred tax asset on temporary differences. £1.2m of deferred tax assets have not been recognised at 30th September 2017 (£1.1m at 31st March 2017).

Earnings per share and Dividends

Basic adjusted earnings per share for H1 FY17/18 was 2.5p, compared to 2.5p in H1 FY16/17. Diluted adjusted earnings per share for H1 FY17/18 was 2.4p compared to 2.4p in H1 FY16/17 (see note 9).

In September 2016 a final dividend of £4.4m in respect of the year ended 31 March 2017 was distributed to shareholders. No dividends were paid during H1 FY17/18.

Financial position

The summary financial position of the Group is set out below:

	Six months to 30 Sept 2017 £'000	Six months to 30 Sept 2016 (restated) £'000	Year ended 31 March 2017 £'000
Non-current assets	**107,510**	112,003	110,723
Current assets (excl. net debt)	**25,950**	26,485	26,442
Net current liabilities (excl. net debt)	**(20,701)**	(23,383)	(17,586)
Non-current liabilities (excl. net debt)	**(2,486)**	(4,775)	(3,319)
Net debt	**(33,324)**	(34,211)	(39,531)
Net assets	**76,949**	76,119	76,729

Net debt and cash flows

	Six months to 30 Sept 2017 £'000	Six months to 30 Sept 2016 (restated) £'000	Year ended 31 March 2017 £'000
Revolving credit facility	**32,000**	25,000	38,000
Term loans	**2**	377	323
(Cash) / overdraft balance	**(4,692)**	3,615	(4,340)
Finance leases	**6,184**	5,457	5,752
Unamortised loan arrangement fees	**(170)**	(238)	(204)
Net Debt	**33,324**	34,211	39,531

During H1 FY17/18, net debt fell from £39.5m at 31 March 2017 to £33.3m at 30 September 2017. The movements in net debt are analysed below along with the prior half year comparative.

	Six months to 30 Sept 2017	Six months to 30 Sept 2016 (restated)
	£'000	£'000
Adjusted EBITDA	**9,118**	8,962
Working capital movements	**2,278**	(2,109)
Adjusted cash generated from operations	**11,396**	6,853
Cash conversion	***125%***	77%
Corporation tax	**(55)**	50
Adjusted net cash inflow from operating activities	**11,341**	6,903
Net debt movements from investing activities		
Purchase of property, plant and equipment		
- Cash purchases	**(2,276)**	(2,804)
- Finance lease purchases	**(1,464)**	(1,056)
	(3,740)	(3,860)
Net debt movements from financing activities		
Interest paid	**(665)**	(512)
Non cash movements in net debt		
Amortisation of loan arrangement fees	**(34)**	(34)
Effect of exchange rates	**(15)**	-
Decrease in net debt pre dividends and non-recurring items	**6,887**	2,497
Dividends paid	**-**	(4,406)
Non-recurring net debt movements		
Non-recurring expense items	**(937)**	(754)
Sale of metro ring to City Fibre	**-**	5,000
Non-recurring interest income	**257**	-
Proceeds from the issue of share capital	-	1,189
	(680)	5,435
Decrease in net debt at 30 Sept 2017/ 2016	**6,207**	3,526

	Six months to 30 Sept 2017	Six months to 30 Sept 2016 (restated)
	£'000	£'000
Net debt at 31 March	**(39,531)**	(37,737)
Net decrease in net debt	**6,207**	3,526
Net debt at 30 September	**(33,324)**	(34,211)

Working capital movements

Working capital movements total £2.3m, of which £2.5m relate to trade debtors, accrued income, deferred income and other debtors. This resulted in cash conversion in the period of 125% compared to 77% in the prior period.

Improved control of billing and collections has resulted in the positive working capital movement.

The resolution of legacy debt issues has also led to a significant improvement in the ageing of trade debtors with a significant reduction in debtors aged > 90 days.

Trade creditor days were 25 at 30 September 2017 compared to 55 in the comparative period.

	Six months to 30 Sept 2017	Six months to 30 Sept 2016 (restated)	Year ended 31 March 2017
	£'000	£'000	£'000
Current	**10,298**	8,231	9,218
1 to 30 days overdue	**1,957**	2,084	2,828
31 to 60 days overdue	**1,647**	2,053	2,298
61 to 90 days overdue	**628**	682	615
91 to 180 days overdue	**1,261**	1,522	3,385
> 180 days overdue	**1,802**	5,928	4,482
Gross trade debtors	**17,593**	20,500	22,826
Trade debtor impairment provision	**(1,865)**	(7,118)	(5,576)
Net trade debtors	**15,728**	13,382	17,250

Financing and covenants

The groups committed facilities at 30 September 2017 were £40m (H1 FY17/18: £40m). In addition to this, the Company has access to a £5m overdraft facility, a £6m finance lease facility and a £10m accordion facility.

As at 30 September 2017, the Company had drawn £32m on its revolving credit facility leaving a headroom of £8m.

Following the accounting misstatements, the Group's banking facilities were refinanced in April 2017. Whilst the covenant tests remained the same, the margin increased as a result.

Alternative Performance Measures

Alternative Performance Measures (APMs) are used by the Board in assessing the Group's performance and are applied consistently from one period to the next. They therefore provide additional useful information for shareholders on the underlying performance and position of the Group. These measures are not defined by IFRS and are not intended to be a substitute for IFRS measures.

The Group presents adjusted EBITDA, operating profit and EPS which are calculated as the statutory measures stated before amortisation of acquired intangibles, non-recurring items and share based payments, including related tax where applicable. The table below reconciles the APMs to the statutory reported measures.

	Six months to 30 Sept 2017					Six months to 30 Sept 2016 (restated)				
	Statutory	Amort. of acquired intangibles	Non-recurring items	Share-based payments	Adjusted	Statutory	Amort. of acquired intangibles	Non-recurring items	Share-based payments	Adjusted
Revenue (£m)	**51.4**				**51.4**	51.8				51.8
Adjusted EBITDA (£m)					**9.1**					9.0
Operating profit/(loss) (£m)	**0.5**	**3.1**		**0.3**	**3.9**	(1.9)	3.1		0.3	1.5
Net financing costs (£m)	**(0.5)**		**(0.3)**		**(0.8)**	(0.6)				(0.6)
Profit before tax (£m)	**0.0**	**3.1**	**1.1**	**0.3**	**4.5**	(2.5)	3.1	3.7	0.3	4.6
Net debt (£m)	**33.3**				**33.3**	34.2				34.2

Details of adjusted earnings and statutory and adjusted EPS are shown in Note 9 to the interim financial statements.

Responsibility Statement

The Directors are responsible for preparing the Interim Report in accordance with applicable law and regulations. The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure this it's financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By Order of the Board

Chris Jagusz	Peter Brotherton
Chief Executive Officer	Chief Financial Officer
29th November 2017	29th November 2017

Cautionary Statement

To the shareholders of Redcentric plc

The Interim report and accounts have been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for those strategies to succeed. The report and accounts should not be relied on by any other party or for any other purpose. The report and accounts contains some forward looking statements. These statements are made by the directors in good faith based on information available to them at 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 factor risks, underlying any such forward looking information.

Consolidated income statement for the six months ended 30 September 2017 (unaudited)

	Note	**Six months to 30 Sept 2017**	Six months to 30 Sept 2016 (Restated)	Year ended 31 March 2017
		£'000	£'000	£'000
Revenue	3	**51,374**	51,849	104,623
Cost of Sales		**(20,867)**	(21,902)	(44,159)
Gross Profit		**30,507**	29,947	60,464
Operating Expenditure		**(30,034)**	(31,888)	(63,459)
Operating Profit/(Loss)		**473**	(1,941)	(2,995)
Analysed as:				
Adjusted EBITDA*	4	**9,118**	8,962	17,273
Depreciation		**(3,679)**	(3,606)	(7,507)
Amortisation of intangibles		**(3,272)**	(3,261)	(6,207)
Non-Recurring Costs	5	**(1,349)**	(3,688)	(5,474)
Share-based payments	6	**(345)**	(348)	(1,080)
Operating Profit/(loss)		**473**	(1,941)	(2,995)
Net Finance costs	7	**(501)**	(597)	(1,253)
Loss on ordinary activities before taxation		**(28)**	(2,538)	(4,248)
Tax credit/(charge) on profit on ordinary activities	8	**(36)**	831	1,870
Loss for the year (attributable to owners of the parent)		**(64)**	(1,707)	(2,378)
Basic and diluted earnings per share	9	**(0.04)p**	(1.17)p	(1.60)p

*Adjusted EBITDA refers to underlying operating profit before depreciation, amortisation, non-recurring costs and share based payments

Consolidated statement of comprehensive income (unaudited)

	Six months ended 30 Sept 2017	Six months ended 30 Sept 2016 (Restated)	Year ended 31 March 2017
	£'000	£'000	£'000
Loss for the period	**(64)**	(1,707)	(2,378)
Exchange differences arising on re-translation of foreign subsidiary	**(2)**	26	94
Total comprehensive loss for the period	**(66)**	(1,681)	(2,284)

Consolidated statement of changes in equity (unaudited)

	Share Capital	Share Premium	Capital Redemption Reserve	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2016	146	63,667	(9,454)	27,328	81,687
Loss for the period	-	-	-	(1,707)	(1,707)
Other comprehensive gain - before tax	-	-	-	26	26
Total comprehensive income	-	-	-	(1,681)	(1,681)
Transactions with owners:					
Dividend	-	-	-	(4,406)	(4,406)
Share issue less costs	1	1,188	-	-	1,189
IFRS2 Charge	-	-	-	287	287
Deferred tax on share-based payments	-	-	-	(957)	(957)
Balance at 30 September 2016 (restated)	147	64,855	(9,454)	20,571	76,119
Profit for the period	-	-	-	(671)	(671)
Other comprehensive gain - before tax	-	-	-	68	68
Total comprehensive income	-	-	-	(603)	(603)
Transactions with owners:					
Share issue less costs	2	540	-	-	542
IFRS2 Charge	-	-	-	688	688
Deferred tax on share-based payments	-	-	-	(17)	(17)
Balance at 31 March 2017	149	65,395	(9,454)	20,639	76,729
Loss for the period	**-**	**-**	**-**	**(64)**	**(64)**
Other comprehensive loss - before tax	**-**	**-**	**-**	**(2)**	**(2)**
Total comprehensive income	**-**	**-**	**-**	**(66)**	**(66)**
Transactions with owners:					
IFRS2 Charge	**-**	**-**	**-**	**345**	**345**
Deferred tax on share-based payments	**-**	**-**	**-**	**(59)**	**(59)**
Balance at 30 September 2017	**149**	**65,395**	**(9,454)**	**20,859**	**76,949**

Consolidated balance sheet as at 30 September 2017 (unaudited)

	Note	**Six months to 30 Sept 2017**	Six months to 30 Sept 2016 (Restated)	Year ended 31 March 2017
		£'000	£'000	£'000
Non-Current Assets				
Property, Plant and equipment		**22,058**	21,693	21,998
Intangible assets and goodwill		**85,452**	90,310	88,725
		107,510	112,003	110,723
Current Assets				
Inventories		**232**	100	234
Trade and other receivables	10	**25,323**	26,007	25,839
Corporation tax receivable		**395**	378	369
Cash and Short Term Deposits		**4,692**	-	4,340
		30,642	26,485	30,782
Total assets		**138,152**	138,488	141,505
Equity				
Called up share capital	14	**149**	147	149
Share premium account		**65,395**	64,855	65,395
Capital Redemption Reserve		**(9,454)**	(9,454)	(9,454)
Retained earnings		**20,859**	20,571	20,639
Total Equity		**76,949**	76,119	76,729
Non-current liabilities				
Loans and Borrowings	13	**35,337**	27,804	41,092
Deferred Tax Liability		**2,177**	3,042	2,112
Provisions	12	**309**	1,733	1,207
		37,823	32,579	44,411
Current Liabilities				
Overdraft		**-**	3,615	-
Trade and other payables	11	**20,368**	23,048	17,247
Loans and Borrowings	13	**2,679**	2,792	2,779
Provisions	12	**333**	335	339
		23,380	29,790	20,365
Net Liabilities		**61,203**	62,369	64,776
Total Equity and Liabilities		**138,152**	138,488	141,505

Consolidated cash flow statement for the six months ended 30 September 2017 (unaudited)

	Six months to 30 Sept 2017	Six months to 30 Sept 2016 (Restated)	Year ended 31 March 2017
	£'000	£'000	£'000
Cash flows from operating activities			
Loss before taxation	**(28)**	(2,538)	(4,248)
Net finance expense	**501**	597	1,253
Operating loss	**473**	(1,941)	(2,995)
Depreciation and amortisation	**6,951**	6,867	13,714
Non-recurring items	**1,349**	3,688	5,474
Share based payments	**345**	348	1,080
Operating cash flow before non-recurring costs and movements in working capital	**9,118**	8,962	17,273
Non-recurring costs and NI on share based payments	**(937)**	(754)	(3,159)
Operating cash flow before movements in working capital	**8,181**	8,208	14,114
Decrease in inventories	**2**	329	196
Decrease in trade and other receivables	**665**	2,130	1,589
Increase/(decrease) in trade and other payables	**1,611**	(4,567)	(9,616)
Cash generated from operations	**10,459**	6,100	6,283
Corporation tax (paid)/received	**(55)**	50	71
Net cash inflow from operating activities	**10,404**	6,150	6,354
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	**-**	5,000	5,000
Purchase of property, plant and equipment	**(2,276)**	(2,804)	(6,744)
Net cash outflow from investing activities	**(2,276)**	2,196	(1,744)
Cash flows from financing activities			
Dividends paid to shareholders	**-**	(4,406)	(4,406)
Interest paid	**(462)**	(512)	(1,209)
Finance fees paid on bank loans	**(50)**	-	-
Repayment of borrowings	**(321)**	(69)	(2,435)
(Repayment)/drawdown on revolving credit facility	**(6,000)**	(3,000)	10,000
Proceeds of issue of shares less costs of issue	**-**	1,189	1,731
Finance Lease repayments	**(927)**	(1,192)	-
Net cash inflow from financing activities	**(7,760)**	(7,990)	3,681
Net increase (decrease) in cash and cash equivalents	**368**	356	8,291
Opening cash and cash equivalents (as restated)	**4,339**	(3,970)	(3,970)
Net increase in cash and cash equivalents	**368**	356	8,291
Effect of exchange rates	**(15)**	(1)	19
Cash and cash equivalents at end of the period	**4,692**	(3,615)	4,340

The accompanying notes form part of these financial statements.

Notes to the interim financial statements for the six months ended 30 September 2017

1. General information

Reporting entity

Redcentric plc ('the Company') is a company domiciled in England and Wales. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months to 30 September 2017 comprise the Company and its subsidiaries (together referred to as 'the Group'). The principal activity of the Group is the supply of IT managed services.

2. Accounting policies

Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 March 2017 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. 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 information for the year ended 31 March 2017 does not constitute statutory accounts as defined in section 435 of the Companies Act 2016. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts. The annual report for the year ended 31 March 2017 included a qualified audit opinion in respect of the comparative income statement and cash flow statement (for the year ended 31 March 2016) and also in relation to the opening balance sheet as at 1 April 2015, but was unqualified in all other respects and did not draw attention to any matters by way of emphasis.

Use of judgements and estimates

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2017.

Going concern

The directors have prepared a detailed trading and cash flow forecast for a period which covers at least 12 months after the date of approval of these condensed interim financial statements. Having considered the forecasts and making other enquiries, the directors have a reasonable expectation that Redcentric has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed interim financial statements.

Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2017 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these condensed consolidated interim financial statements.

The Group has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

IFRS 2 (amendments) 'Classification and measurement of share-based payment transactions' is effective for periods beginning on or after 1st January 2018. The amendment provides guidance on three issues: the effects of vesting conditions on the measurement of cash-settled share-based payments; the classification of share-based payment transactions with net settlement features for withholding tax obligations; and the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendment is not expected to result in any material changes for the Group.

IFRS 9 Financial Instruments was issued by the IASB in July 2014, and is effective for the Group for the year ended 31 March 2019. Applying IFRS 9 will result in changes to the measurement and disclosure of financial instruments and introduces a new expected loss impairment model. . The Group is currently assessing the impact of the new standard and it is not practicable to quantify the effect of this standard until this detailed review has been completed.

IFRS 15 'Revenue from contracts with customers' is effective for periods beginning on or after 1st January 2018. The Group is currently assessing the impact of the new standard and it is not practicable to quantify the effect of this standard until this detailed review has been completed. The Group expects to adopt the standard from 1st April 2018 and will be considering whether to use fully or modified retrospective application.

IFRS 16 'Leases' introduces a single lessee accounting model and is effective for periods beginning on or after 1st January 2019. The new standard will require lessees to recognise a lease liability reflecting the obligation to make future lease payments and a 'right-of-use' asset for all leases unless exemption is taken for certain short-term leases or for leases of low-value assets. The Group is currently assessing the impact of the new standard and it is not practicable to quantify the effect of this standard until this detailed review has been completed. The Group expects to adopt the standard from 1st April 2018 and will be considering whether to use fully or modified retrospective application.

3. Business segments

As applied to the consolidated financial statements as at and for the year ended 31 March 2017, the Board believes that the Group comprises a single reporting segment being the provision of managed services to customers. Whilst the Board still reviews revenue streams of the three categories separately; recurring, product and service revenue, the operating costs and operating asset base used to derive these revenue streams are the same for all three categories and are presented as such in the Group's internal reporting.

4. Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA)

Management has presented the performance measure adjusted EBITDA because it believes that this measure is relevant to an understanding of the Group's financial performance. The definition of adjusted EBITDA is the same as in the last annual financial statements. Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

	Six months to 30 Sept 2017	Six months to 30 Sept 2016 (Restated)	Year ended 31 March 2017
	£'000	£'000	£'000
Operating Profit/(Loss)	**473**	(1,941)	(2,995)
Adjustments for:			
Depreciation	**3,679**	3,606	7,507
Amortisation of Intangibles	**3,272**	3,261	6,207
Non-recurring costs	**1,349**	3,688	5,474
Share-based payments	**345**	348	1,080
Adjusted EBITDA	**9,118**	8,962	17,273

5. Non-recurring costs

	Six months to 30 Sept 2017	Six months to 30 Sept 2016 (Restated)	Year ended 31 March 2017
	£'000	£'000	£'000
Non recurring impairment of trade debtors balances	**-**	2,933	2,933
Professional fees associated with the forensic review and Financial Conduct Authority (FCA) investigation	**509**	-	1,291
Integration and restructuring costs	**840**	548	658
Sale of metro ring to City Fibre	**-**	207	207
Vacant Property Provisions	**-**	-	385
Non recurring costs	**1,349**	3,688	5,474

- Professional fees associated with the forensic review and FCA investigation
  - These costs relate to legal and forensic advice received in respect of the ongoing FCA investigation.
- Integration and restructuring costs
  - The integration costs relate to the integration of the City Lifeline acquisition was were undertaken in January 2016.
  - Following the forensic review, the Company undertook a cost reduction exercise and one off redundancy costs were incurred as a result.
- Non recurring impairment of trade debtor balances
  - Following the audit of the 31 March 2017 annual results, a further debtor impairment charge was taken.
- Sale of metro ring to City Fibre
  - On 30 September 2016, the Company disposed of its fibre network assets. This led to a one off loss on disposal of £207k.

6. Share-based payment arrangements

	Six months to 30 Sept 2017	Six months to 30 Sept 2016 (restated)	Year ended 31 March 2017
	£'000	£'000	£'000
SAYE schemes	**132**	87	188
Director and senior manager schemes	**65**	(117)	156
MXC options	**148**	317	631
Employers NI	**-**	61	105
	345	348	1,080

At 30 September 2017, the Group had the following share-based payment arrangements.

i. **Enterprise Management Incentives (EMI)**
The Group has legacy position of EMI share options outstanding, issued prior to the formation of the Group.

ii. **Long Term Incentive Plan (LTIP)**
The Group operates a Long Term Incentive Plan (LTIP) under which the executive directors and key management personnel are awarded nil cost options that will vest subject to the achievement of performance conditions relating to the growth in earnings per share.

iii. **Save As You Earn (SAYE)**
The Group operates a HMRC approved SAYE scheme which offers its UK based employees the opportunity to participate in a share purchase plan. To participate in the plan, the employees are required to save an amount of their gross monthly salary, up to a maximum of £500 per month, for a period of 36 months. Under the terms of the plan, at the end of the three-year period the employees are entitled to purchase shares using funds saved at a price 20% below the market price at grant date. Only employees who remain in service and save the required amount of their gross monthly salary for 36 consecutive months will become entitled to purchase the shares. Employees who cease their employment, do

not save the required amount of their gross monthly salary in any month before the 36-month period expires, or elect not to exercise their options to purchase shares will be refunded their saved amounts.

iv. MXC

Historic options awarded to MXC Capital Limited.

	EMI	LTIP	SAYE	MXC	TOTAL
Balance at 30 March 2016	**4,393,111**	**-**	**1,144,353**	**8,692,988**	**14,230,452**
Forfeited in the period	(700,000)	-	-	-	(700,000)
Exercised in the period	(1,285,000)	-	-	-	(1,285,000)
Balance at 30 September 2016	**2,408,111**	**-**	**1,144,353**	**8,692,988**	**12,245,452**
Issued in the year	-	919,048		-	919,048
Forfeited in the year	(550,000)	-	(44,448)	-	(594,448)
Cancelled in the year	-	-	(288,339)	-	(288,339)
Exercised in the year	-	-	(1,308)	(1,692,988)	(1,694,296)
Lapsed in the year	(550,000)	-	-	-	(550,000)
Balance at 30 March 2017	**1,308,111**	**919,048**	**810,258**	**7,000,000**	**10,037,417**
Issued in the period	-	1,092,330	1,234,818	-	2,327,148
Forfeited in the period	(450,000)	(1,428,422)	-	-	(1,878,422)
Cancelled in the period	-	-	(356,891)	-	(356,891)
Balance at 30 September 2017	**858,111**	**582,956**	**1,688,185**	**7,000,000**	**10,129,252**

As at 31 March 2017 the Company had a total of 350,000 warrants in issue with an exercise price of 36p. The warrants were issued to Barclays Bank PLC on demerger in April 2013 in exchange for warrants previously held in Redstone Plc, and can be converted to shares at any time before the sale of the entire share capital of the Company.

7. Finance costs

	Six months to 30 Sept 2017	Six months to 30 Sept 2016 (restated)	Year ended 31 March 2017
	£'000	£'000	£'000
Interest receivable			
Other interest receivable	**(257)**	-	-
Interest payable			
Interest payable on bank loans and overdrafts	**724**	563	1,185
Amortisation of loan arrangement fees	**34**	34	68
	758	597	1,253
Net financing costs	**501**	597	1,253

8. Taxation

Tax of profit on ordinary activities

	Six months to 30 Sept 2017 £'000	Six months to 30 Sept 2016 (restated) £'000	Year ended 31 March 2017 £'000
Current income tax	46	20	64
Prior year adjustment	-	-	38
Deferred tax:			
Origination and reversal of timing differences:			
– Deferred tax asset: prior year adjustments	-	-	312
– Deferred tax asset: current year	521	654	200
– Deferred tax liability: prior year adjustments	-	-	(501)
– Deferred tax liability: current year	(531)	(1,505)	(1,983)
Total income tax charge/(credit) reported in the income statement	36	(831)	(1,870)

Reconciliation of the total income tax charge/(credit)

	Six months to 30 Sept 2017 £'000	Six months to 30 Sept 2016 (restated) £'000	Year ended 31 March 2017 £'000
Profit before taxation	(28)	(2,537)	(4,248)
Profit multiplied by the UK standard rate of corporation tax of 19% (2017:20%)	(4)	(507)	(850)
Expenses not deductible for tax purposes	28	20	286
Movement in unprovided tax losses	-	-	(847)
Prior year adjustments	-	-	(151)
Effect of tax rate change	1	(332)	(318)
Impact of overseas tax rates	11	(12)	10
Total income tax charge/(credit) reported in the income statement	36	(831)	(1,870)

9. Earnings per share

Basic earnings per share have been calculated using a weighted average number of shares of 148,859,173 (H1 FY16/17: 146,335,704). The dilutive effect of share options in issue at 30 September 2017 increased the weighted average number of shares to 154,641,819 (H1 FY16/17: 153,613,323).

In addition, adjusted earnings per share have been calculated to reflect the underlying performance of the business. This measure is derived as follows:

	Six months to 30 Sept 2017 £'000	Six months to 30 Sept 2016 (Restated) £'000	Year ended 31 March 2017 £'000
Statutory earnings	**(64)**	(1,707)	(2,378)
Amortisation of acquired intangibles*	**3,126**	3,126	5,944
Share-based payments	**345**	348	1,080
Tax (credit)/charge in income statement	**36**	(831)	(1,870)
Non-recurring interest	**(257)**	-	-
Non-recurring costs	**1,349**	3,688	5,474
Adjusted earnings before tax	**4,534**	4,625	8,250
Notional tax charge at 19%; (H1 FY16: 20%; FY17 20%)	**(862)**	(925)	(1,650)

Earnings for the purpose of earnings per share being net profit attributable to owners of the Group	**3,673**	3,700	6,600
Weighted average number of ordinary shares for the purposes of basic earnings per share	**148,859,173**	146,335,704	148,448,225
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**154,641,819**	153,613,323	152,744,106
Statutory diluted and basic earnings per share	**(0.04)p**	(1.17)p	(1.60)p
Adjusted earnings per ordinary share – basic	**2.47p**	2.53p	4.45p
Adjusted earnings per ordinary share – diluted	**2.38p**	2.41p	4.32p

Reconciliation of Amortisation

Amortisation charge per P&L	**3,272**	3,261	6,207
Amortisation of software	**(146)**	(135)	(263)
*Amortisation of acquired intangibles	**3,126**	3,126	5,944

10. Trade and other receivables

	Six months to 30 Sept 2017	Six months to 30 Sept 2016 (Restated)	Year ended 31 March 2017
	£'000	£'000	£'000
Trade Receivables	**17,592**	20,500	22,826
Less: Provision for impairment of trade receivables	**(1,864)**	(7,118)	(5,576)
Trade receivables – net	**15,728**	13,382	17,250
Other receivables	**224**	-	56
Prepayments	**6,151**	6,612	5,378
Accrued income	**3,220**	6,013	3,155
Total	**25,323**	26,007	25,839

11. Trade and other payables

	Six months to 30 Sept 2017	Six months to 30 Sept 2016 (Restated)	Year ended 31 March 2017
	£'000	£'000	£'000
Trade Payables	**6,122**	10,450	7,483
Other Payables	**1,004**	677	104
Taxation and Social Security	**2,667**	4,031	1,592
Accruals	**3,598**	3,990	2,264
Deferred Income	**6,977**	3,900	5,804
Total	**20,368**	23,048	17,247

Provisions

	Dilapidations	Vacant Property	Total Provision
	£'000	£'000	£'000
At 31 March 2016	**593**	**1,681**	**2,274**
Charged/(credited) to income statement:			
Additional provisions created during the year	-	52	52
Utilisation of provision	(258)	-	(258)
At 30 September 2016	**335**	**1,733**	**2,068**
Utilisation of provision	(62)	(460)	(522)
At 31 March 2017	**273**	**1,273**	**1,546**
Additional provisions created during the year	**149**	**-**	**149**
Utilisation of provision	**(85)**	**(968)**	**(1,053)**
Reclassification of provision	**(7)**	**7**	**-**
At 30 September 2017	**330**	**312**	**642**

Dilapidation provisions are made in respect of contractual obligations relating to leased property. Vacant property provisions are made in respect of vacated properties under onerous leases.

	At 30 September 2017			At 30 September 2016		
	Dilapidations	Vacant Property	Total Provision	Dilapidations	Vacant Property	Total Provision
	£'000	£'000	£'000	£'000	£'000	£'000
Current	**21**	**312**	**333**	-	335	335
Non-current	**309**	**-**	**309**	1,733	-	1,733
Total	**330**	**312**	**642**	1,733	335	2,068

12. Borrowings

	Six months to 30 Sept 2017	Six months to 30 Sept 2016 (Restated)	Year ended 31 March 2017
	£'000	£'000	£'000
Bank Loan	**32,000**	25,000	38,000
Arrangement Fee	**(170)**	(238)	(204)
Finance Leases – Non Current	**3,507**	3,042	3,296
Total Non-Current	**35,337**	27,804	41,092
Finance Leases – Current	**2,677**	2,415	2,456
Term Loans	**2**	377	323
Total Current	**2,679**	2,792	2,779

13. Capital and reserves

Issued share capital

	Number	£'000
At 30 September 2016	147,166,185	147
Issued during six month period	1,692,988	2
At 31 March 2017	148,859,173	149
Issued during six the period	-	-
At 30 September 2017	**148,859,173**	**149**

The following dividends were declared and paid by the Group:

	Six months to 30 Sept 2017	Six months to 30 Sept 2016	Year ended 31 March 2017
	£'000	£'000	£'000
3.0p per ordinary share	**-**	4,406	-

14. Error restatement

The prior half year comparative numbers for the 6 months ended 30 September 2016 have been restated from those issued and presented in December 2016. At the time these numbers were released, the forensic review had just been completed. Further to this review, all of the Company's subsidiaries' accounts were re-audited resulting in additional adjustments, the Indian operation was correctly accounted for as a subsidiary rather than a branch and errors in the group consolidation were eliminated. The prior year comparative figures are presented on a consistent basis with the audited figures for the full year ended 31 March 2017.

Reconciliation of Consolidated Statement of Income

	30 Sept 2016 As previously reported	Error restatement	30 Sept 2016 Restated
	£'000	£'000	£'000
Revenue	52,982	(1,133)	51,849
Cost of Sales	(23,798)	1,896	(21,902)
Gross Profit	29,184	763	29,947
Operating Expenditure	(28,268)	(3,620)	(31,888)
Operating Profit/(Loss)	916	(2,857)	(1,941)
Analysed as:			
Adjusted EBITDA*	9,051	(89)	8,962
Depreciation	(3,971)	365	(3,606)
Amortisation of intangibles	(3,409)	148	(3,261)
Non-Recurring Costs	(755)	(2,933)	(3,688)
Share-based payments	-	(348)	(348)
Operating Profit/(Loss)	916	(2,857)	(1,941)
Net Finance costs	(596)	(1)	(597)
Profit/(Loss) on ordinary activities before taxation	320	(2,858)	(2,538)
Tax credit/(charge) on profit on ordinary activities	1,308	(477)	831
Profit/(Loss) for the year (attributable to owners of the parent)	1,628	(3,335)	(1,707)
Basic earnings per share	1.11p	(2.28)p	(1.17)p

Reconciliation of Consolidated Balance Sheet

	30 Sept 2016 As previously reported £'000	Error restatement £'000	30 Sept 2016 Restated £'000
Non-Current Assets			
Property, Plant and equipment	23,723	(2,030)	21,693
Intangible assets and goodwill	88,702	1,608	90,310
	112,425	(422)	112,003
Current Assets			
Inventories	168	(68)	100
Trade and other receivables	28,021	(2,014)	26,007
Corporation tax receivable	-	378	378
	28,189	(1,704)	26,485
Total assets	140,614	(2,126)	138,488
Equity			
Called up share capital	147	-	147
Share premium account	63,667	1,188	64,855
Capital Redemption Reserve	(9,454)	-	(9,454)
Retained earnings	25,453	(4,882)	20,571
Total Equity	79,813	(3,694)	76,119
Non-current liabilities			
Loans and Borrowings	28,285	(481)	27,804
Deferred Tax Liability	3,113	(71)	3,042
Provisions	1,773	(40)	1,733
	33,171	(592)	32,579
Current Liabilities			
Overdraft	3,839	(224)	3,615
Trade and other payables	21,145	1,903	23,048
Loans and Borrowings	2,311	481	2,792
Provisions	335	-	335
	27,630	2,160	29,790
Net Liabilities	60,801	1,568	62,369
Total Equity and Liabilities	140,614	(2,126)	138,488

Reconciliation of Consolidated Cash Flow Statement

	30 Sept 2016 As previously reported £'000	Error restatement £'000	30 Sept 2016 Restated £'000
Cash flows from operating activities			
Profit/(loss) before taxation	1,628	(4,165)	(2,537)
Net finance expense	596	-	596
Operating loss	2,224	(4,165)	(1,941)
Depreciation and amortisation	7,380	(513)	6,867
Non-recurring items	498	3,190	3,688
Share based payments	-	348	348
Operating cash flow before non-recurring costs and movements in working capital	10,102	(1,140)	8,962
Non-recurring costs and NI on share based payments	-	(754)	(754)
Operating cash flow before movements in working capital	10,102	(1,894)	8,208
Decrease/ (increase) in inventories	329	-	329
Decrease/(increase) in trade and other receivables	6,200	(4,070)	2,130
(Decrease)/increase in trade and other payables	(8,483)	3,916	(4,567)
Cash generated from operations	8,148	(2,048)	6,100
Non-recurring items	(498)	498	-
Corporation tax (paid)/received	133	(83)	50
Net cash inflow from operating activities	7,783	(1,633)	6,150
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment	5,000	-	5,000
Purchase of property, plant and equipment	(4,524)	1,720	(2,804)
Net cash outflow from investing activities	476	1,720	2,196
Cash flows from financing activities			
Dividends paid to shareholders	(4,406)	-	(4,406)
Interest paid	(497)	(15)	(512)
Repayment of borrowings	-	(69)	(69)
Drawdown on revolving credit facility	(3,205)	205	(3,000)
Proceeds of issue of shares less costs of issue	-	1,189	1,189
Finance Lease repayments	-	(1,192)	(1,192)
Net cash inflow from financing activities	(8,108)	118	(7,990)
Net increase (decrease) in cash and cash equivalents	151	205	356
Opening cash and cash equivalents (as restated)	(3,990)	20	(3,970)
Net increase (decrease) in cash and cash equivalents	151	205	356
Effect of exchange rates	-	(1)	(1)
Cash and cash equivalents	(3,839)	225	(3,615)

15. Cost reclassification

	31 Mar 2017 As previously reported £'000	Cost reclassification £'000	31 Mar 2017 As reclassified £'000
Revenue	104,623	-	104,623
Cost of sales	(43,304)	(855)	(44.159)
Gross profit	61,319	(855)	60,464
Operating expenditure	(64,314)	855	(63,459)
Operating loss	(2,995)	-	(2,995)