Report and Accounts

2020

Year ended 31 March 2020
Redcentric plc

redcentric

AGILE • AVAILABLE • ASSURED

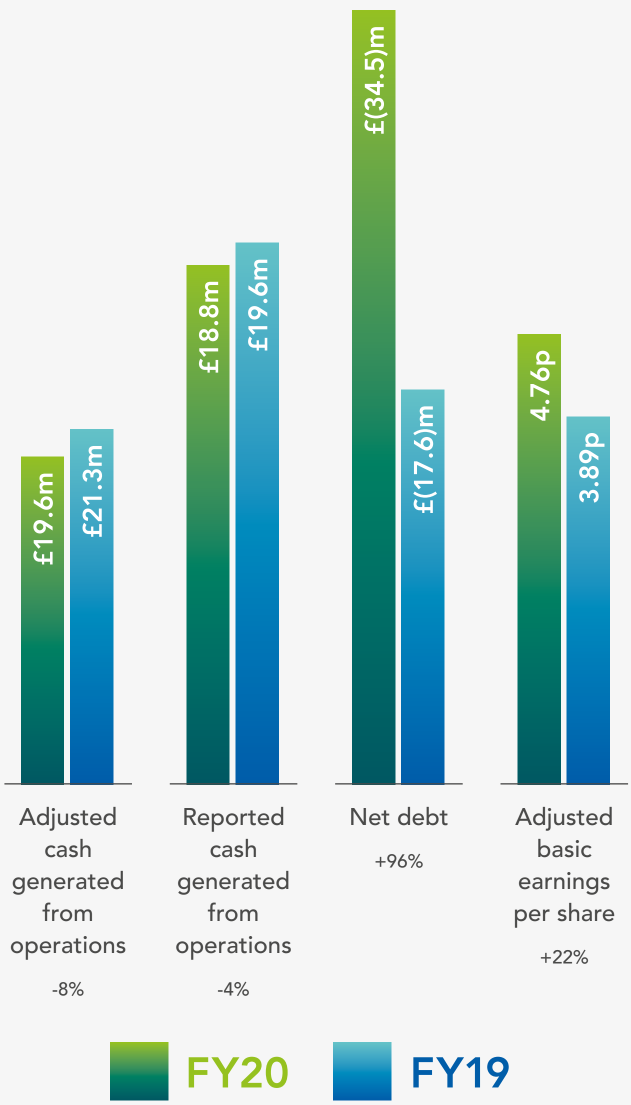
Our Vision

To be the most trusted provider of IT Managed Services to commercial and public sector organisations.

Contents

Financial highlights

Year ended 31 March 2020 (FY20)		Year ended 31 March 2019 (FY19)
£87.5m	Total revenue -6%	£93.3m
£77.6m	Recurring monthly revenue (RMR) -4%	£80.5m
£20.6m	Adjusted EBITDA +23%	£16.7m
£10.6m	Adjusted operating profit +29%	£8.2m



Highlights

Financial performance measures

	Year ended 31 March 2020 (FY20)[1]	Year ended 31 March 2020 (FY20) pre-IFRS 16[1]	Year ended 31 March 2019 (FY19)	Change[1]
Total revenue	£87.5m	£87.5m	£93.3m	-6%
Recurring monthly revenue (RMR)	£77.6m	£77.6m	£80.5m	-4%
Adjusted EBITDA[2]	£20.6m	£17.6m	£16.7m	+5%
Adjusted operating profit[2]	£10.6m	£9.7m	£8.2m	+18%
Reported operating (loss)	£(8.7)m	£(9.7)m	£(0.3)m	+3,133%
Adjusted cash generated from operations[2]	£19.6m	£16.4m	£21.3m	-23%
Reported cash generated from operations	£18.8m	£15.6m	£19.6m	-20%
Net debt	£(34.5)m	£(13.5)m	£(17.6)m	+23%
Adjusted basic earnings per share[2]	4.76p	4.86p	3.89p	+25%
Reported basic (loss) per share	(7.14)p	(7.01)p	(1.32)p	+431%
Dividend per share	1.83p	1.83p	1.40p	+31%

[1] The results for FY20 are not directly comparable with the prior year due to the adoption of IFRS 16 Leases. Further details are provided in note 1.2 to the financial statements, and in the appendix on page 111, which sets out the impact of IFRS 16 Leases on the primary statements. The % change figures reported above relate to FY20 vs. FY19 pre any IFRS 16 Leases impact.

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

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

For an explanation of the alternative performance measures used in this report and reconciliations to their most directly related GAAP measure, please refer to page 25.

“

I would like to take the opportunity to express my sincere thanks and gratitude to you and your team at Redcentric in getting a remote access solution up and running for the GPs and practice staff in Beds and Herts yesterday.

You and your team did a great job in turning round a potentially disastrous situation, showing that with commitment and effective teamwork barriers can be taken down and results can be achieved. Your solution has allowed our clinicians access to clinical systems, which in turn enables them to see and treat our patients at this time of need.

”

A southern England NHS organisation

Chairman's statement

I am very pleased to introduce the Annual Report and Accounts for the Redcentric plc ("Redcentric" or "Company") group of companies (the "Group") for the financial year ended 31 March 2020 ("FY20"), my first as Chairman.

Overview

It has been a very productive year for the Group. Recurring revenues returned to growth in the last quarter of the year and we have extracted significant cost efficiencies by completing the integration of historical acquisitions and implementing process improvements across the organisation.

Following the end of FY20, we reached a settlement with the Financial Conduct Authority ("FCA") in respect of the historical accounting misstatements uncovered by the Company in November 2016. The FCA's investigation into the Company (the "FCA Investigation") lasted over three years and its conclusion is hugely significant for the Group as it removes a significant barrier and uncertainty for all of our stakeholders and will allow the management team to focus solely on running and growing the business.

The COVID-19 pandemic continues to have a significant effect on the UK economy and also on our colleagues, suppliers and customers. We responded swiftly to government guidance and quickly transitioned to remote working to ensure the safety of our employees and their families. Our employees have adapted well through a difficult period and I thank them for their efforts and resilience. The business as a whole has also responded well to the challenges created by the pandemic and our strategic decisions to focus on network integration and the health sector have put us in a strong position to withstand the continuing challenges of the pandemic.

Financial results

Revenue for FY20 decreased by 6% to £87.5m (2019: £93.3m). The reported loss before tax of £10.6m in FY20 (2019: loss of £1.4m). includes a one-off provision of £11.4m in respect of the restitution scheme announced on 13 July 2020 as part of the settlement reached with the FCA (the "Restitution Scheme"). Statutory fully diluted earnings per share (EPS) was a loss of 7.14p (2019: loss of 1.32p), the decrease largely reflecting the £11.4m restitution provision.

Adjusted fully diluted earnings per share for the year increased by 21% to 4.68p (2019: 3.86p).

Net debt at 31 March 2020 was £34.5m, including £21.0m of IFRS16 lease liabilities that were previously classified as operating leases under IAS17.

Dividend and shareback

During the year, the Company paid the following dividends:

- a final dividend for the year ended 31 March 2019 ("FY19") of 1.00p per share, totalling £1.5m; and
- an interim dividend for FY20 of 0.83p per share, totalling £1.2m.

In light of the Restitution Scheme and the continued uncertainty resulting from the ongoing COVID-19 pandemic, the board of directors of the Company (the "Board") has decided that it is not prudent to recommend the payment of a final dividend to shareholders for FY20. The Board remains committed to a progressive dividend policy and will review the possibility of reinstating the dividend when it releases the Group's half year results.

During the year, the Company implemented a share buyback programme under which 822,427 shares were purchased by the Company at a weighted average price of 88p per share. The Board announced shortly after the end of FY20 that the programme would be temporarily halted until such time as the outlook around COVID-19 becomes more certain.

Board and people

During the year there were several changes made to the Board, as follows:

- I joined the Company on 16 October 2019 as Non-Executive Chairman, replacing Chris Cole who stepped down on the same date;
- David Senior joined the Board as Chief Financial Officer on 3 April 2020, replacing Dean Barber who resigned on the same date. David previously held the position of Finance Director with the Group and has transitioned into the crucial Chief Financial Officer role quickly and effectively; and
- Chris Rigg, Non-Executive Director, resigned on 31 December 2019.

Our thanks and best wishes go to Chris Cole, Chris Rigg and Dean Barber for their service to the Company.

Our Mission

We deliver **agile**, **available** and **assured** solutions that help organisations succeed.

Chairman's statement (continued)

As a Board, we believe it is important to keep our own performance under review and recently undertook an evaluation assessment, the outcomes of which are in the Corporate Governance section of this Annual Report.

The Board views the talent of its employees as a major asset and recognises the high levels of support and commitment the Group has received from its employees through a period of significant change. The Group has invested in improving communication with employees, creating improved working environments and in listening and responding to employees' views and feedback. I would like to express the Board's sincere thanks for the dedication, hard work and enthusiasm of all employees in FY20.

Outlook

The business is performing well, with revenues growing, profit margins increasing and continued excellent cash flows. Trading in the first quarter of the year ending 31 March 2021 ("FY21") has been strong and slightly ahead of the Board's full year expectations.

The conclusion of the FCA Investigation, along with progress made on growing both revenues and profitability, put the Group in a good position to build on the successes to date and to explore all opportunities open to the Group. I am confident in the Group's abilities and look forward to another successful year ahead for the Group.

Ian Johnson
Non-Executive Chairman
21 July 2020

> Redcentric delivers solid services consistently and professionally and they free us up for the added-value work without any of those firefighting distractions. They have been proactive and set themselves up to meet the needs of our October Period 11, which is the busiest time of the year for us.

HOWDENS

Making space more valuable

Chief Executive Officer's review

Overview

Since the publication of last year's Annual Report and Accounts, the Group has faced considerable challenges in the form of a competitive sector, Brexit, the culmination of the FCA Investigation and the COVID-19 pandemic.

Each challenge has been met head on, the business has progressed well and we are now in a much stronger position than at the close of FY19. Whilst these achievements are partly reflected in the results FY20, most of the benefits will actually be reflected in FY21 and beyond.

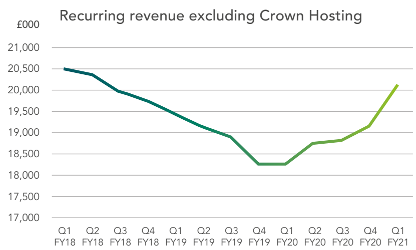
Review of FY20

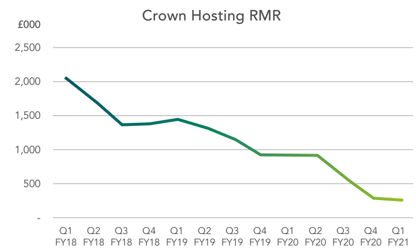
At the start of the financial year we set ourselves the following challenges:

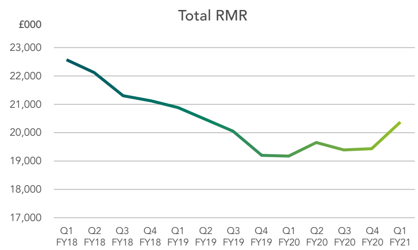
- to return the business to underlying recurring revenue growth;
- to increase our presence in the public sector, targeting the health sector, building on the Health and Social Care Network (HSCN) successes in FY19;
- to increase profit margins by extracting operational efficiencies;
- to complete the upgrade of our network and platforms; and
- to bring the FCA Investigation to a conclusion.

Return to recurring revenue growth

The graphs and figures below show the quarterly revenue trends for the financial year ended 31 March 2018 ("FY18") to Q1 of FY21. Excluding Crown Hosting revenues (see further detail below), the business has seen four consecutive quarters of recurring revenue growth and total recurring revenues have grown for the last two consecutive quarters.







£000	Q1 FY18	Q2 FY18	Q3 FY18	Q4 FY18	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21
Recurring revenue excluding Crown Hosting	20,505	20,364	19,945	19,733	19,432	19,123	18,882	18,263	18,245	18,729	18,804	19,134	20,090
Crown Hosting RMR	2,046	1,729	1,358	1,385	1,444	1,323	1,160	917	915	920	581	289	254
Total RMR	**22,551**	**22,093**	**21,303**	**21,118**	**20,876**	**20,446**	**20,042**	**19,180**	**19,160**	**19,649**	**19,385**	**19,423**	**20,344**

In previous Annual Report and Accounts we have highlighted the effect that the loss of public sector hosting contracts to Crown Hosting ("Crown Hosting Contracts") has had on the business and this has accounted for most of the recurring revenue decline in FY20. In the accounts for the financial year 31 March 2017, revenue from Crown Hosting Contracts accounted for £8.2m of annualised recurring revenues, dropping to £4.8m in FY19 and £2.7m in FY20. The loss of this revenue has had a significant effect on the business as data centre costs are predominantly fixed and therefore declines in revenue largely result in reduced bottom line profitability.

Following the end of FY20, revenue growth has been very strong, reflecting changes made to the management of the business' delivery team, an accelerated pace in HSCN network roll outs and strong Q4 FY20 and Q1 FY21 sales.

Chief Executive Officer's review (continued)

Public sector contracts

In the second half of FY19 we took the strategic decision to focus on our core network capabilities and to increase our presence in the public sector. The first stage of this strategy was to put significant effort and resource in to winning public sector network business, with a particular focus on HSCN. The HSCN procurement process represented a one-off procurement opportunity resulting from the government's decision to close down its fifteen-year-old legacy N3 network and replace it with a more modern and regional network for health and social care organisations.

In last year's Annual Report and Accounts we detailed the HSCN contract wins and highlighted significant cross-selling opportunities. During FY20 and Q1 of FY21 we achieved significant additional sales in both cross-selling additional products to HSCN customers and in sales to new logo organisations. Our success in the HSCN procurement process and our good performance in rolling out HSCN networks has given us a much higher profile within both the public and private health sectors.

Installation of the HSCN networks is largely complete and revenues from these contracts, along with the additional cross-sell contracts, are the prime driver for the underlying recurring revenue growth experienced in FY20 and anticipated for FY21. We anticipate that approximately 25% of our FY21 revenue will be derived from the combined public and private health sectors.

The table below summarises the original HSCN contract wins, the subsequent cross-sell wins and sales to new logos.

	HSCN & YHPSN – Initial wins Presented to Board Jun-19			Cross sell and growth Jun-19 to 30-Jun-20			Total sold Total to 30-Jun-20		
	No of customers	RMR sold £	Annual revenue £	No of customers	RMR sold £	Annual revenue £	No of customers	RMR sold £	Annual revenue £
YHPSN	13	36,453	437,437	33	181,578	2,178,938	40	218,031	2,616,375
Worcester Health	1	25,271	303,252	1	14,838	178,058	1	40,109	481,310
Midlands & Lancs	1	22,229	266,748	1	121	1,447	1	22,350	268,195
BLMK	10	84,188	1,010,253	7	41,208	494,493	10	125,396	1,504,746
East AP	4	21,260	255,120	3	35,790	429,483	4	57,050	684,603
BSOL	1	56,517	678,204	1	17,962	215,548	1	74,479	893,752
Sandwell & West	1	31,227	374,724	1	4,202	50,420	1	35,429	425,144
STW	2	15,883	190,596	2	1,857	22,283	2	17,740	212,879
HSCN & YHPSN	**33**	**293,028**	**3,516,334**	**49**	**297,556**	**3,570,670**	**60**	**590,584**	**7,087,004**
Other Public Sector	n/a	-	-	53	105,861	1,270,328	53	105,861	1,270,328
Total Public Sector	**33**	**293,028**	**3,516,334**	**102**	**403,416**	**4,840,998**	**113**	**696,444**	**8,357,331**

Note: other public sector customers only reported from Jun-19 onwards and therefore any sales to other public sector customers before this period are excluded from the total sold figure.

Operational efficiencies

Our focus on operational efficiencies continued throughout FY20, with a view to fully integrating all aspects of historical acquisitions into one unified and efficient business.

During the year, we undertook a detailed review of all areas of the business and a dedicated project group was set up to focus on the following:

- rationalisation and integration of historical physical networks;
- rationalisation of third-party data centres;
- consolidation of three historical network platforms into a single network platform;
- restructure of our Development and Delivery teams;
- replacement of five legacy systems with a single ERP solution; and
- standardisation of employment contracts and colleague benefits.

Chief Executive Officer's review (continued)

Rationalisation and integration of historical physical networks

In the first half of FY20 we completed the integration of our physical network by decommissioning a network ring which was acquired as part of a historical acquisition. Customers were migrated off this ring and onto our main network, yielding annualised savings of £0.5m.

In additional to making our core network more efficient, we undertook a full audit of all our customer tail circuits and cancelled over one thousand surplus circuits, yielding annualised savings of £1.5m.

Rationalisation of property portfolios and third-party data centres

In the second half of FY20 we commenced the overhaul of our third-party data centre portfolio. This involved moving core network platforms and colocation and managed serviced customers out of three third party London data centres and into our own data centre in London. With the exception of one customer move, this work is now complete, and annualised savings of £1m will be realised as a result.

In the latter part of FY19 we vacated the Theale office and moved staff to the nearby Reading data centre. This lease was settled in FY20 on favourable terms, resulting in an exceptional credit of £141k.

Consolidation of network platforms

As a result of past acquisitions, the Group has historically operated three separate network platforms. Maintaining three platforms is inefficient and the level of functionality varied considerably across the respective platforms. As part of the data centre moves, we are in the process of consolidating our three platforms into one and moving our core equipment out of three third party London data centres and into our own managed data centre in London.

Restructuring of development and delivery teams

During the year we made changes to both the Development and Delivery teams and this yielded immediate results.

Having not released any new products to market in the last two years, we now have an updated product portfolio and a clear product development path. We have restructured the Development team and upgraded the skillsets of team members to meet the requirements of our customers and the market, as well as implementing a formal methodology for the delivery of new products.

This new way of working enabled the Group to respond effectively to the COVID-19 pandemic and produce a number of revenue generating, low cost and high margin solutions within a short timeframe, supporting the FY20 closing position and contributing strongly to FY21 Q1 revenues.

At the end of FY20 we restructured the Delivery team, replacing the entire senior management of the team in the process. A new position of Delivery Director was created to sit on the senior management team of the Group (the "Operating Board") and two new Senior Programme Managers joined the department to manage the private and public sector delivery teams. The results to date, whilst benefiting from a different mix of product sales (see COVID-19 below), have been very impressive. In the five months to 30 June 2020 we installed more monthly recurring revenue than we did in the previous nine months.

Having strengthened the management of the Delivery team, the Delivery Director's focus is now on improving processes and customer communication. In the latter part of June 2020, we commenced the implementation of workflow software to manage the complex implementation of customer network roll outs more effectively. Once this is complete, we will implement workflow software for all other product installations. Whilst this project is in its early stages, we expect that this will result in significant staff efficiencies whilst also significantly improving customer service and communication. It is anticipated that the full effect of these savings will be realised from Q4 of FY21 onwards.

Implementation of a single enterprise resource planning ("ERP") system

The replacement of five legacy operational systems with a single ERP system has been a difficult and long running project for the business but will yield significant benefits once live. During FY20 we went live with the sales module of the ERP system, which has enabled improved forecast accuracy and automated inter-departmental workflow. The launch of the finance and operations modules of the system has been deferred to 1 October 2020 as a result of the COVID-19 pandemic.

During FY20 we introduced a weekly and monthly KPI dashboard covering all significant financial and operational KPIs. In light of COVID-19, the requirement for timely and accurate information has increased significantly and, as a result, we have introduced daily reporting of sales orders, revenue installed and cash collected. Once fully live, the new ERP system will give rise to considerably improved data and will automate reporting, resulting in significantly improved and timely management information.

Chief Executive Officer's review (continued)

Standardisation of employment contracts and colleague benefits

A feature of our past acquisitions is that we had ten different employment contracts, each with differing terms and conditions and colleague benefits. Post the year end we commenced a project to move all colleagues on to one standardised employment contract and to rationalise any administratively complex colleague benefits.

Upgrade of network and platforms

In FY19 we commenced a major upgrade of our network and product platforms and this was largely completed in FY20.

The upgrade of our core network from a 10Gb capacity to 100Gb capacity was completed during the year and whilst this represented a significant cost (£1.5m), it is anticipated that the increase in bandwidth will support our growth and customers' thirst for extra bandwidth for at least the next five years.

During the year we spent £1.5m on the second and final stage of upgrading our Infrastructure as a Service (IaaS) platform. The new platform has now been fully deployed and we are in the process of migrating customers off our old system and on to our new platform. The new platform offers full hybrid cloud capabilities and replaces a system that was over ten years old.

During the year, and as part of our data centre restructuring project, we commenced a significant upgrade of our London data centre. This work will continue in to FY21 and, when complete, will upgrade the facility from a tier one to a tier three facility, bringing the London data centre up to the standard of the Harrogate and Reading data centres. The work has involved significant electrical works, with equipment as old as thirty years being replaced.

FCA Investigation

On 26 June 2020, the Company reached a settlement with the FCA in respect of certain historical accounting misstatements that were uncovered by the Group in November 2016. As part of this settlement, the Company agreed to implement the Restitution Scheme to compensate net purchasers of ordinary shares in the Company between 9 November 2015 and 7 November 2016.

The FCA Investigation was ongoing for 3½ years and was a significant burden on the Group. Whilst the cost of the Restitution Scheme, at £11.4m, is considerable, we are pleased to finally have the matter resolved. The settlement with the FCA means that the Group's management team is now free to focus solely on the business; legal costs will be substantially reduced; and we are now free to sell to all markets including those regulated by the FCA.

Since the discovery of the accounting misstatements, the Group has been transformed, with all members of both the Board and Operating Board being replaced. The finance function has been rebuilt and controls across the business have been materially strengthened.

COVID-19 pandemic

Overview

The Group's overriding concern is the health, safety and wellbeing of its colleagues, customers, and business partners. We have complied and continue to comply with all relevant government recommendations both in the UK and India and the majority of colleagues have been working remotely since 17 March 2020. We pride ourselves in delivering excellent customer service and this has not been affected following the changes to working arrangements. This has been made possible by our colleagues' flexible and positive attitude and we thank them for their support during this time.

Sales

During the COVID-19 pandemic, sales have remained strong with new orders received in March 2020, materially ahead of March 2019 and sales orders for Q1 FY21 slightly ahead of Q1 FY20. Over the COVID-19 period we have seen increased demand for our secure remote access product, increased bandwidth and call-based solutions. We have also, however, seen delays in large scale IT and network projects.

Deliveries

Deliveries have been particularly strong during the COVID-19 pandemic, reflecting related and non-related factors. During the pandemic, the mix of sales has changed to products that are quicker to install and this has resulted in improved order to revenue timescales. Non COVID-19 related factors include additional resource deployed to roll out the HSCN networks and significantly improved processes and management following the changes made to the Delivery team.

Cash collection

Cash collection has been strong, with over 95% of the 31 March 2020 year-end balance collected to date, which is ahead of the previous year's position.

During the pandemic we have not experienced any significant bad debts, but we are supporting approximately twenty customers with payment plans. All these plans are up-to-date, and the amounts outstanding are not significant.

Chief Executive Officer's review (continued)

Colleagues

As a business we carry out regular business continuity exercises and as part of these exercises we routinely stress test our operational systems and remote working capabilities. This foresight meant that we were very well prepared for the sudden decision to deploy most of our colleagues out of the office to working from home. Our offices in both the UK and India have been closed for approximately four months. To the credit of our colleagues, we have operated in an efficient manner, without any significant incidents and we have continued to deliver excellent service to our customer base.

Given the good levels of business activity we are pleased that it has not been necessary to furlough any colleagues.

Key risks

As described throughout this report, the business is in a strong position and is well placed to react to the challenges that the COVID-19 pandemic will no doubt bring in the future. The main risks to the business are things which are outside our control such as the wider economic position and the financial strength of our customer base. We have reviewed our customer base in detail and whilst we have some exposure to the retail and leisure sectors, we believe that our customers are well capitalised to enable survival over the medium term.

Summary and outlook

Summary

FY20 was a significant year for the business and we ended it in a much stronger position than we started it. After three years of decline, recurring revenues are now growing, with four quarters of underlying recurring revenue growth. 89% of our revenues are recurring and these are underpinned by long term contracts which give good forward visibility. Profit margins are increasing as a result of the efficiency and integration initiatives undertaken and we are currently achieving EBITDA margins in excess of 25%. Excellent cash conversion, which has been a constant feature of the business over the last three years, remains strong and with the network and platform upgrades largely complete, we anticipate lower levels of capital expenditure in the medium term.

The Group's core network, cloud platform, data centres and operational systems have all been upgraded meaning that we now have modern, resilient and scalable networks and platforms to support future growth. The strategic decision to focus on our core strength as a network integrator and to build on the HSCN contract wins has put us in a good position to leverage future opportunities, especially in the current environment where networks and remote working capabilities are essential to most UK organisations.

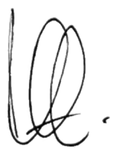
The settlement reached with the FCA is hugely significant in that it allows the management team to focus solely on the business, reopens FCA regulated markets and removes uncertainty from new logo customers wishing to transfer their mission critical IT infrastructure to Redcentric.

Outlook

We have had a good start to FY21 with all the key business metrics of sales, deliveries and cash flows showing positive trends. The integration and efficiency programmes undertaken in FY20 have materially reduced our cost base and this, taken with recurring revenue growth, will lead to significantly increased profitability and cash flows in FY21 and beyond.

Whilst the COVID-19 pandemic has created significant challenges, it is yet to have an adverse effect on the business' performance. With a customer base secured on long term contracts, recurring revenues accounting for 89% of our total revenues and a product set very much relevant to the current environment, we are cautiously optimistic for the future.

Having completed the integration of historical acquisitions and implemented efficiency initiatives across the business, we are now in a good position to move to the next stage of the Group's development. Our strong financial performance, low levels of debt and the removal of the uncertainty caused by the FCA Investigation all put us in a strong position to explore the many opportunities open to us.



Peter Brotherton
Chief Executive Officer
21 July 2020

Our Values

Our values support our strategic objectives and sit at the heart of our business and our culture. We work hard to integrate our values into everything we do.

Proactive
We think and act quickly

Inspired
We create excitement through innovation

Trusted
We do what we say we will

Collaborative
We work together to deliver a common goal

Transparent
We are open, honest and fair

Financial review

Financial performance measures

	Year ended 31 March 2020 (FY20)[1]	Year ended 31 March 2020 (FY20) pre-IFRS 16[1]	Year ended 31 March 2019 (FY19)	Change[1]
Total revenue	£87.5m	£87.5m	£93.3m	-6%
Recurring monthly revenue (RMR)[2]	£77.6m	£77.6m	£80.5m	-4%
Adjusted EBITDA[2]	£20.6m	£17.6m	£16.7m	+5%
Adjusted operating profit[2]	£10.6m	£9.7m	£8.2m	+18%
Reported operating (loss)	£(8.7)m	£(9.7)m	£(0.3)m	+3,133%
Adjusted cash generated from operations[2]	£19.6m	£16.4m	£21.3m	-23%
Reported cash generated from operations	£18.8m	£15.6m	£19.6m	-20%
Net debt	£(34.5)m	£(13.5)m	£(17.6)m	+23%
Adjusted basic earnings per share[2]	4.76p	4.86p	3.89p	+25%
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[2] For an explanation of the alternative performance measures used in this report, please refer to page 25.

Overview

This year's accounts have been dominated by three factors that have a material impact to the financial statements:

1. IFRS 16 brings all lease commitments on balance sheet, creating a right of use asset at adoption of £20.8m (FY20: £22.7m), with a corresponding liability at adoption of £23.0m (FY20: £23.5m). Operating lease expenses of £3.0m have been replaced with depreciation and interest charges of £2.1m and £1.1m respectively, thereby increasing adjusted EBITDA by £3.0m.

2. The settlement reached with the FCA resulted in the Restitution Scheme being implemented with an estimated cost of £11.4m which has been provided for in FY20. The resulting impact is that the Group has reported a loss before taxation of £10.6m (FY19: loss of £1.4m) and recorded a provision of £11.4m within current liabilities. Post the year end, 5.3m shares were issued generating £5.8m of cash which will be utilised to settle part of this liability. The remaining £5.6m will be settled by either issuing shares or by payment in cash. Full details are given in note 2.

3. As at 31 March 2020, the bank facility was due to expire on 30 November 2020 and so the year-end balance of £12.5m has been classified within current liabilities. On 9 June 2020, the Group extended its banking facilities to 30 June 2022.

The key financial highlights are as follows:

- Total revenue reduced by 6.2% to £87.5m (FY19: £93.3m). Recurring monthly revenue fell by 3.6% to £77.6m (FY19: £80.5m), representing 89% (FY19: 86%) of the total revenue.

- The Group reported loss before taxation of £10.6m in FY20 (2019: loss of £1.4m). Adjusted EBITDA increased by £3.9m and adjusted operating profit increased by £2.4m. On a pre-IFRS 16 basis, both adjusted EBITDA (up £0.9m to £17.6m) and adjusted operating profit (up £1.5m to £9.7m) were higher than the prior year, reflecting an improvement to gross profit margin and further reductions to the operating cost base in the year.

- Net debt at 31 March 2020 was £34.5m, including £21.0m of IFRS 16 lease liabilities that were previously classified as operating leases under IAS17.

Financial review (continued)

Revenue

Revenue for the year ended 31 March 2020 was generated wholly from the UK and is analysed as follows:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Recurring revenue	**77,617**	80,544
Product revenue	**5,215**	5,810
Services revenue	**4,653**	6,906
Total revenue	**87,485**	93,260

Revenue is analysed into the following categories:

- Recurring monthly revenue, lower at £77.6m (FY19: £80.5m), largely driven by a reduction in public sector hosting revenues (£2.1m), caused by the government's Crown Hosting policy. Recurring revenues excluding Crown Hosting have increased in each of the last three quarters.
- Non-recurring product revenue, which was lower at £5.2m (FY19: £5.8m), was impacted by the industry trend to move away from on-premise to cloud solutions and by customers delaying discretionary spending due to the economic uncertainty.
- Non-recurring services revenue was lower at £4.7m (FY19: £6.9m).

Gross profit

Gross profit decreased by 2.1% (£1.2m) reflecting the Group's lower revenue, with an improvement in gross margin to 63.1% (FY19: 60.4%) driven by the network restructuring programme, specifically cancelling over 1000 third party access circuits. This activity was completed in Q4 FY20 and generated annualised savings of £1.5m. One-off exceptional costs of £0.2m were recognised in relation to the termination of these circuits.

Adjusted operating costs

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

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000	Change £000	Change %
UK staff costs	**19,738**	20,507	(769)	-4%
Office and data centre costs	**4,393**	7,049	(2,656)	-38%
Network and equipment costs	**6,680**	7,311	(631)	-9%
Other sales, general and administration costs	**1,887**	2,693	(806)	-30%
Offshore costs	**1,886**	2,091	(205)	-10%
Total adjusted operating costs	**34,584**	39,651	(5,067)	-13%

Financial review (continued)

Employees

	Year ended 31 March 2020	Year ended 31 March 2019	Variance
Year-end headcount			
UK	**298**	310	(12)
India	**144**	156	(12)
Total employees	**442**	466	(24)

	Year ended 31 March 2020	Year ended 31 March 2019	Variance
Average headcount			
UK	**311**	329	(18)
India	**151**	150	1
Total employees	**462**	479	(17)

In the FY20 results, costs recognised under IAS17 (leases) in previous years have been reclassified as leases under IFRS 16. Operating lease expenses of £3.0m have been replaced with depreciation and interest charges of £2.1m and £1.1m respectively.

Total adjusted operating costs for FY20 were 12.8% (£5.1m) lower than prior year, reflecting:

- UK staff costs down £0.8m, driven by lower headcount and operating lease reclassifications of £0.1m;
- office and data centre costs reduced by £2.7m, primarily reflecting operating lease reclassifications of £2.5m;
- network and equipment costs reduced by £0.6m, primarily due to the data centre and network restructuring programme, which is now largely complete and will generate £0.8m of annualised savings. One-off exceptional costs of £1.2m were recognised in relation to the exit from three third party data centres;
- other sales, general and administration costs down £0.8m, with the prior year including £0.5m of HSCN bid (consultancy) costs; and
- offshore costs reduced by £0.2m due to office operating lease reclassifications.

Financial review (continued)

Adjusted EBITDA

Adjusted EBITDA is EBITDA excluding exceptional items (as set out in note 9), share-based payments and associated National Insurance. The same adjustments are also made in determining the adjusted EBITDA margin. Items are only classified as exceptional due to their nature or size, and the Board considers that this metric provides the best measure of assessing underlying trading performance.

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Reported operating (loss)	**(8,737)**	(285)
Amortisation of intangible assets arising on business combinations	**6,252**	6,252
Amortisation of other intangible assets	**1,197**	1,140
Depreciation	**8,814**	7,330
EBITDA	**7,526**	14,437
Exceptional items	**12,516**	1,911
Share-based payments and associated National Insurance	**562**	366
Adjusted EBITDA	**20,604**	16,714

Adjusted EBITDA increased to £20.6m, £3.9m higher than prior year. Of this increase, £3.0m relates to IFRS 16 operating lease reclassifications, with the remaining increase reflecting operational efficiencies of £2.1m offset by a reduction in gross profit of £1.2m.

Taxation, interest and dividend

The tax credit for the year was £0.0m (FY19: £0.6m charge), comprising an income tax charge of £0.8m (FY19: £0.8m), a current year deferred tax credit of £0.8m (FY19: £0.8m credit) and a deferred tax credit in respect of prior years of £0.0m (FY19: £0.6m charge).

Net finance costs for the year were £1.9m (FY19: £1.1m), including £1.2m of IFRS 16 finance charges of which £1.1m related to leases previously recognised as operating leases under IAS17.

During the year, the Company paid the following dividends:

- a final dividend for FY19 of 1.00p per share, totalling £1.5m; and
- an interim dividend for FY20 of 0.83p per share, totalling £1.2m.

In light of the Restitution Scheme and the continued uncertainty around COVID-19 the Board is not recommending payment of the final dividend to shareholders for FY20. Further, the Board announced on 3 April 2020 that the share buyback programme would be temporarily halted until such time as the outlook becomes more certain.

Financial review (continued)

Net debt

During the year, net debt increased by £16.9m to £34.5m as at 31 March 2020, with the movements shown in the table below:

	As at 31 March 2018 £000	Net cash flow £000	Net non-cash flow £000	As at 31 March 2019 £000	Net cash flow £000	Net non-cash flow £000	**As at 31 March 2020 £000**
Cash	6,089	1,125	(8)	7,206	(3,496)	-	**3,710**
RCF	(27,864)	8,500	(68)	(19,432)	7,000	(51)	**(12,483)**
Term Loan	-	(66)	(297)	(363)	212	-	**(151)**
Lease Liabilities	(5,932)	(885)	1,841	(4,976)	6,234	(26,883)	**(25,625)**
	(27,707)	8,674	1,468	(17,565)	9,950	(26,934)	**(34,549)**

Included in lease liabilities at 31 March 2020 are £21.0m of IFRS 16 lease liabilities that were previously classified as operating leases under IAS17. Other movements reflect capital expenditure of £6.9m, £0.8m on exceptional items and £3.5m on dividends and share buybacks.

£7.5m of unutilised bank facility was cancelled during the year, leaving a total facility at 31 March 2020 of £47.5m, comprising a revolving credit facility ("RCF") of £17.5m, an overdraft facility of £5.0m and a £5.0m asset financing facility. In addition, the Group has access to a £20.0m accordion facility. At 31 March 2020 £5.0m of the RCF, £5.0m of the overdraft and £3.9m of the asset financing facility was undrawn.

On 8 June 2020, these facilities were extended to 30 June 2022, with all terms and covenants remaining the same until this time. On 17 July 2020 certain amendments were made to the Facilities Agreement to allow for the impact of the Proposed Restitution Scheme.

Trade Debtors

In the year, focus remained on collecting legacy debt to improve the ageing profile. At the year-end, debt over 90 days old has reduced by 56% year on year, whilst debt greater than 180 days has reduced by 85%.

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Current	**10,993**	9,074
1 to 30 days overdue	**1,656**	2,628
31 to 60 days overdue	**593**	505
61 to 90 days overdue	**220**	99
91 to 180 days overdue	**288**	390
> 180 days overdue	**63**	416
Gross trade debtors	**13,813**	13,112
Provision	**(1,438)**	(1,521)
Net trade debtors	**12,375**	11,591

Trade creditor days were 40 at 31 March 2020 compared to 28 as at 31 March 2019.

Financial review (continued)

Financing

	Year ended 31 March 2020			Year ended 31 March 2019		
	Available £000	Drawn £000	Undrawn £000	Available £000	Drawn £000	Undrawn £000
Committed						
- Revolving credit facility	**17,500**	**12,483**	**5,017**	25,000	19,500	5,500
- Term loans	**151**	**151**	**-**	363	363	-
- Leases	**25,625**	**25,625**	**-**	4,976	4,976	-
	43,276	**38,259**	**5,017**	30,339	24,839	5,500
Uncommitted						
- Bank overdraft	**5,000**	**-**	**5,000**	2,000	-	2,000
- Asset financing facility	**3,853**	**-**	**3,853**	4,724	-	4,724
	8,853	**-**	**8,853**	6,724	-	6,724
Total borrowing facilities	**52,129**	**38,259**	**13,870**	37,063	24,839	12,224

In addition to the above facilities, the Group has access to a non-committed £20.0m accordion facility. During the year, the Group cancelled £7.5m of unutilised facility reducing the committed level from £25.0m to 17.5m and thereby saving £57k in annualised commitment fees.

David Senior
Chief Financial Officer
21 July 2020

> Redcentric has not been just a supplier – they are a full partner with high engagement who we can work with and who we trust.

HAYS
Recruiting experts worldwide

Alternative performance measures

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

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

The impact of IFRS 16 on the consolidated income statement, consolidated statement of financial position, and consolidated cash flow statement for the year ended 31 March 2020 is set out in an appendix to these financial statements.

Recurring monthly revenue

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

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Reported revenue	**87,485**	93,260
Non-recurring revenue	**(9,868)**	(12,716)
Recurring revenue	**77,617**	80,544

Recurring revenue makes up 89% of total revenue in FY20, an increase of 3% from prior year (86%).

Maintenance capital expenditure

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

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Reported capital expenditure	**6,922**	5,889
Customer capital expenditure	**(2,470)**	(3,983)
Maintenance capital expenditure	**4,452**	1,906

There was an acceleration of capital expenditure in the year primarily relating to maintenance capex, with net capital expenditure increasing by £1.0m to £6.9m (FY19: £5.9m). The main areas of investment were all aligned to the future growth and efficiency of the Group and are detailed below:

- IaaS platform upgrade (£1.5m), providing a more durable and scalable platform, together with enriched features for our customers; and
- core network upgrade (£1.0m), increasing bandwidth from 10Gb to 100Gb providing customers with increased speed and resilience.

Alternative performance measures (continued)

Adjusted EBITDA

Adjusted EBITDA is EBITDA excluding exceptional items (as set out in note 9), share-based payments and associated National Insurance. The same adjustments are also made in determining the adjusted EBITDA margin. Items are only classified as exceptional due to their nature or size, and the Board considers that this metric provides the best measure of assessing underlying trading performance.

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Reported operating (loss)	**(8,737)**	(285)
Amortisation of intangible assets arising on business combinations	**6,252**	6,252
Amortisation of other intangible assets	**1,197**	1,140
Depreciation	**8,814**	7,330
EBITDA	**7,526**	14,437
Exceptional items	**12,516**	1,911
Share-based payments and associated National Insurance	**562**	366
Adjusted EBITDA	**20,604**	16,714

Adjusted EBITDA increased to £20.6m, £3.9m higher than prior year. Of this increase, £3.0m relates to IFRS 16 operating lease reclassifications, with the remaining increase reflecting operational efficiencies of £2.1m offset by a reduction in gross profit of £1.2m.

Adjusted operating profit

Adjusted operating profit is operating loss excluding amortisation on acquired intangibles, exceptional items and share-based payments. The same adjustments are also made in determining the adjusted operating profit margin and in determining adjusted earnings per share ("EPS"). The Board considers this adjusted measure of operating loss 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 depending on the timing and size of any acquisitions.

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Reported operating loss	**(8,737)**	(285)
Amortisation of intangible assets arising on business combinations	**6,252**	6,252
Exceptional items	**12,516**	1,911
Share-based payments	**562**	366
Adjusted operating profit	**10,593**	8,244

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

Alternative performance measures (continued)

Adjusted operating costs

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

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Reported operating expenditure	**63,925**	56,650
Depreciation	**(8,814)**	(7,330)
Amortisation of intangibles arising on business combinations	**(6,252)**	(6,252)
Amortisation of other intangible assets	**(1,197)**	(1,140)
Exceptional items	**(12,516)**	(1,911)
Share-based payments	**(562)**	(366)
Adjusted operating expenditure	**34,584**	39,651

David Senior
Chief Financial Officer
21 July 2020

Strategy and business model

The market for IT managed services in the UK is highly fragmented and is served by a broad spectrum of businesses from global telecommunication companies through hardware and software providers, system integrators and a range of independent managed service providers of varying sizes, through to companies providing individual elements of the IT managed services spectrum. The market is growing, driven by the continued move towards off-premise solutions and mobile access to secure services.

Redcentric positions itself in the market as being able to combine the benefits of proprietary network and data centres with a flexible and technically skilled workforce able to deliver and support critical services and solutions in a highly secure environment.

Redcentric seeks to differentiate itself in three distinct ways:

- innovation – innovation in the design and delivery of services;
- reliability – the right technical skills, organised in the right way, to give predictable high-quality results; and
- value – service offerings that are designed to offer value for money to mid-market customers.

Through these differentiators, Redcentric aims to attract new customers and to deepen and broaden its relationships with existing customers.

The Board's strategy for growth comprises:

- ongoing investment in expanding and enhancing the Group's own infrastructure so that it can provide its customers with the very highest levels of security and service; and
- effective use of the Group's scale and resources to explore and invest in new technologies so that its customers can benefit from the high levels of innovation across the whole industry.

The Board believes that the Group's position between the very large system integrators and network operators and the smaller competitors (that may lack delivery structure, reputation, reliability and financial strength) is a very compelling one. The Group has a strong and reliable set of core infrastructure and has developed a delivery model that provides assurance and certainty for customers.

Section 172 statement – our stakeholders

The Board recognises its duty to consider the needs and concerns of the Group's key stakeholders during its discussions and decision-making. The Board has had regard to the importance of fostering relationships with its stakeholders as set out below and also detailed in the Strategic Report and Corporate Governance Report of this Annual Report. More information on how the Directors have discharged their duties under section 172 of the Companies Act 2006 is also available in the rest of this Strategic Report on pages 4 to 37 and Corporate Governance Report on pages 39 to 57.

Colleagues

- Colleague briefings – quarterly colleague briefing sessions are held with the Operating Board to enable colleagues to ask questions and raise issues and for colleagues to be provided with updates on the business.
- Performance updates – key performance information such as trading updates and financial results are always promptly communicated to colleagues.
- Colleague survey – colleagues were surveyed for the first time in a number of years in FY20 and an action plan has been developed in response to some of the key themes.
- Learning management – an online learning management system has been launched in response to feedback from colleagues around development and support.
- Performance management portal – a Group-wide online objectives and feedback system has been introduced.
- New vision, mission and values – these have been developed in consultation with colleagues to align all colleagues to a common vision, mission statement and set of core values.
- Share schemes – the Group has in place a Save As You Earn Option Plan to enable colleagues to become personally invested as shareholders of the Group.
- Further information is included in the Corporate Responsibility section on pages 34 to 37 and in the Corporate Governance Report on pages 39 to 57.

Customers

- Annual customer forum – the Chief Executive Officer and members of the Operating Board meet with executives of key customers to communicate business updates, operational updates, product roadmap developments and gain key customer feedback. This enables increased engagement with customers at a strategic level and a greater understanding of both customer pain points and future requirements from strategic to end-user level. Key business improvement initiatives are also published and progress regularly reviewed.
- Monthly newsletter – a electronic newsletter is sent out in the final week of every month to the primary and technical contacts within our customer database to communicate key announcements, thought leadership material and new solutions customer advocacy.
- Customer survey – a bi-annual net promoter score (NPS) survey is carried out to gain customer feedback on service experience and a key service improvement plan is developed from the results of the survey.
- Monthly and quarterly service reviews – regular service reviews with customers are led by Service Delivery Managers and Account Managers, focused on service experience and opportunity identification.
- Daily social media updates – these updates are provided through our corporate social media channels (LinkedIn, Twitter and Facebook) and contain key updates and customer case studies.

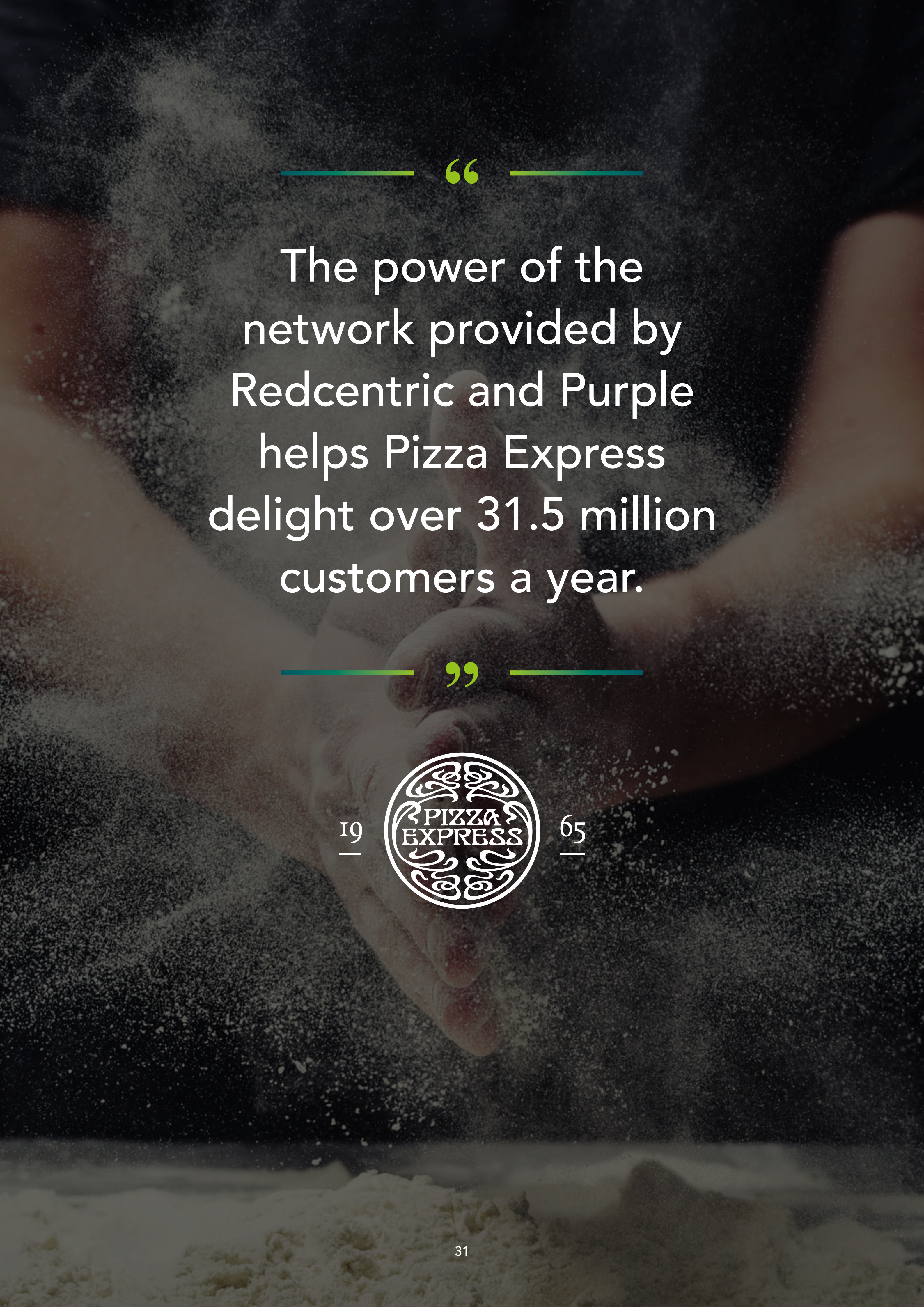
Section 172 statement – our stakeholders (continued)

Suppliers

- The Board is committed to building trusted partnerships with the Group's suppliers, which are crucial to delivering many of our commitments. Through these partnerships, we deliver value and quality to our customers and we help our partners to develop and grow.
- We have in place a programme which ensures regular engagement and communication with all suppliers but particularly key strategic partners, including an annual review and other regular check-ins.
- Some of our strategic partnerships are listed below:
  - Microsoft – Cloud Productivity (GOLD) Cloud Platform (GOLD) Datacentre (SILVER);
  - Cisco – GOLD;
  - HPe – Silver PRSP (Partner Ready Service Provider); and
  - Citrix – CSPP (Citrix Solutions Provider Programme).

Shareholders

- Analysts and investor meetings – the Chief Executive Officer and Chief Financial Officer hold analyst and investor roadshows meetings throughout the year, particularly following the release of the Group's interim and full year results and feedback from those meetings is shared with the Board.
- Annual General Meeting ("AGM") – the AGM is a key opportunity for engagement between the Board and shareholders, particularly private shareholders.
- Annual Report and Accounts – the Group's annual report and accounts is made available to all shareholders both online and in hard copy where requested.
- Group website – all presentations and announcements and other key shareholder information is available on the investor section of the Group's website.
- Further information is included in the Corporate Governance Report on page 40.



> The power of the network provided by Redcentric and Purple helps Pizza Express delight over 31.5 million customers a year.

Risk management

Identifying, evaluating and managing the principal risks and uncertainties facing the Group is an integral part of the way Redcentric does business. There are policies and procedures in place throughout the Group's operations, embedded within our management structure and as part of our normal operating processes.

The principal risks and uncertainties identified by management are set out below. These risks are not intended to be an extensive analysis of all risks that may arise in the ordinary course of business or otherwise. The principal financial and treasury risks are separately disclosed in note 3 to the financial statements.

COVID-19

The COVID-19 pandemic has created an unprecedented and constantly changing challenge to all businesses with no clear end point. Whilst overall the Group has a relatively low risk, high visibility business model, which is adaptable to homeworking, we believe the risks to the Group posed by the COVID-19 pandemic are as set out below.

Trading risk

- although the Group's strong recurring revenues support longer term visibility of sales, we have experienced some customers deciding to defer large-scale IT projects until some economic certainty returns. Reluctance to move critical IT infrastructure during this period has, however, also had a beneficial effect on levels of contract churn;

Liquidity risk

- uncertainty remains around the wider economic impact of the pandemic and customers' ability to continue to trade throughout the pandemic;

Risk of loss of efficiency

- the short-term disruption of moving people from offices to working from home;
- lower productivity at home due to poorer connectivity, less communication between team members and possible distractions such as family;
- the demotivational effect of general anxiety and concern;
- the need to establish new client communication channels with clients who are also working remotely;
- team members being incapacitated or having to care for other family members;
- the slowdown in recruitment, although this is likely to be partially offset by lower attrition;

Risk to IT & security

- a possible breach of IT security through remote working, although robust measures have been taken to mitigate this risk;
- the IT team being less able to respond efficiently and promptly to regular hardware and software problems due to the nature of remote working;
- loss of capacity in the IT team due to illness.

Mitigating activities

The duration and extent of the economic consequences of the pandemic are currently unknown and this makes predicting future demand for the Group's offerings difficult. However, the Board believes that the Group is well placed to withstand the current challenges and risks. The Group's IT systems are sufficiently flexible to enable remote working by the majority of colleagues both in the UK and India. During March, in close co-operation with colleagues, we moved to working from home across the Group with very little disruption.

The Group continues to proactively work with its most affected customers to provide payment support throughout this difficult period. At the end of June 2020, the Group had collected over 90% of the FY20 year-end trade debtor balances and had experienced no significant bad debts.

Subsequent to the FY20 year-end, the Group's bank facilities were extended to 30 June 2022, with all terms and covenants remaining the same until this date. On 17 July 2020 certain amendments were made to the Group's Facilities Agreement with its lenders to allow for the impact of the Restitution Scheme. The Group has in place a total facility of £47.5m, comprising a revolving credit facility (RCF) of £17.5m, an overdraft facility of £5.0m and a £5.0m asset financing facility. In addition, the Group has access to a £20.0m accordion facility.

Market and economic conditions

Market and economic conditions are recognised as one of the principal risks in the current trading environment. This risk is mitigated by the monitoring of trading conditions and the constant search for ways to achieve new efficiencies in the business without impacting levels of service.

Risk management (continued)

Reliance on key personnel and management

The success of Redcentric is dependent on the services of key management and operating personnel. The Board believes that the Group's future success will depend largely on its ability to retain and attract highly skilled and qualified personnel, and to expand, train and manage its employee base. There can be no guarantee that suitably skilled and qualified individuals will be retained or identified and employed. If the Group fails to retain or recruit the necessary personnel, or if the Group loses the services of any of its key executives, its business could be materially and adversely affected.

Competition

Redcentric operates in a highly competitive marketplace and, while the Board believes that the Group enjoys significant strengths and advantages in competing for business, some of the competitors are much larger with considerable scale that could allow them to offer similar services for lower prices than the Group would be prepared to match. Competitors could therefore materially adversely impact the scale of the Group's revenues and its profitability. The Group monitors competitors' activity and constantly reviews its own services and prices to ensure a competitive position in the market is maintained.

Technology

The market for Redcentric's services is in a state of constant innovation and change. The Group actively participates in a number of industry-wide forums and devotes significant resource to the development of new services, ensuring new technologies can be incorporated and integrated with the Group's core services. The nature of the Group's services means that they are exposed to a range of technological risks, such as viruses, hacking, and an ever-changing spectrum of security risk. The Group maintains constant pro-active vigilance against such risks and maintains membership of some of the highest levels of security accreditation as part of the service it offers its customers.

Infrastructure failure

The Board believes that one of the key differentiators that the Group offers is that its services are provided over its own controlled and managed infrastructure, such as its own networks and data centres. Whilst this provides customers with comfort around resilience and reliability, the Group is also exposed to risks of infrastructure failure.

A critical element of the Group's operating methodologies and procedures is to mitigate such risks through the careful construction, maintenance and management of its own infrastructure. All networks and data centres have fully resilient fail-over procedures with regular testing of back-up and recovery plans.

FCA Investigation

The Company reached a settlement with the FCA in connection with the FCA Investigation, which was announced on 26 June 2020. This concludes the long running investigation and removes significant uncertainty and costs for the Group. It also enables management to focus solely on the business, reopens FCA regulated markets and should remove caution from new logo customers who are considering transferring their mission critical IT infrastructure to the Group.

As part of the settlement agreed with the FCA, the Company agreed to the Restitution Scheme, whereby it will pay restitution to net purchasers of ordinary shares in the Company between 9 November 2015 and 7 November 2016. Each potential claimant under the Restitution Scheme who goes on to receive a restitution payment is required to waive any and all claims they may have against the Company in relation to any matters arising out of or connected with the matters referred to in the final notice issued by the FCA on 26 June 2020.

Corporate responsibility

Colleagues

Our colleagues are central to the continued success of our business and are focused on delivering outstanding services and solutions to our customers and partners. Through 2019 and 2020 we have continued to reshape our organisation to ensure we align our people and resources against our key priorities and continue to identify opportunities for efficiency in all areas of the business.

Feedback from our customers about our people and the support they receive remains strong across all areas of the business and we thank each and every colleague for their support and contribution over the last twelve months. This applies especially so to the outstanding way our colleagues responded to the COVID-19 pandemic, transitioning seamlessly to working from home whilst ensuring we maintained high levels of service and support for our customers at a time when they needed it most.

Having a say on what matters

Giving our colleagues the opportunity to have their say is critical and will drive business outcomes for us. By listening hard to our colleagues and responding, we believe we can ensure we focus on addressing those areas that make a difference to our colleagues and our customers. We have developed a Group-wide action plan in response to some of the key themes identified as a result of our first colleague survey for a number of years, which has focused on increased working flexibility, the development of our new vision, mission and values to align all colleagues and the introduction of a Group-wide online objectives and feedback system. We have also re-launched our online learning management system in response to feedback that our colleagues would like to see an increased focus on both development within their existing roles and support for their future careers. Communication was another key theme highlighted within the survey and we will continue to evolve our internal communications strategy and our internal ways of working to ensure all colleagues continue to be engaged and involved in our business direction.

Equality and diversity

Creating a diverse, inclusive and great place for our colleagues to work is top of Redcentric's people agenda.

Redcentric actively supports the principle of equal opportunities in employment and is committed to ensuring that individuals are treated fairly, with respect and are valued. Redcentric opposes all forms of unlawful or unfair discrimination on the grounds of colour, race, religion or belief, nationality, ethnic or national origin, sex, gender reassignment, sexual orientation, marital or civil partner status, age or disability (the "Protected Characteristics").

It is important to Redcentric that no one receives less favourable treatment or is disadvantaged on any of the above grounds. Every possible step is taken to ensure that individuals are treated equally and fairly and that decisions on recruitment and selection and opportunities for training and promotion are based solely on objective and job-related criteria.

Gender diversity

The average number of employees employed during the year was as follows:

	Male	Female	**Total**
Executive Directors	2	0	**2**
Operating Board	4	2	**6**
Senior managers	11	3	**14**
Other employees	342	98	**440**
Total average headcount	359	103	**462**

Corporate responsibility (continued)

Gender pay report

Our gender pay report at the snapshot date of 5 April 2019 showed that the overall difference between men and women's earnings at Redcentric was 25% (mean) or 18% (median), based on hourly rates of pay. Like most organisations in our industry, the primary reason for our gender pay gap is an imbalance of male and female colleagues at different levels across the organisation. This is something we are committed to changing moving forward. Over the last twelve months we have seen an increase in the number and percentage of females within our organisation overall, which is a positive step forward; however 62% of females are still within the lowest two pay quartiles which has negatively impacted our gender pay gap in the short term. We are confident that this will change as we continue to focus on development and progression opportunities for the future.

Apprenticeship programme

We have maintained our commitment to investment in apprentice programmes across differing areas of our business both for new joiners into our business and existing colleagues. Programmes have focused on building a pipeline of talent into our business to support our customer services function and we have started working closely with local schools and apprentice providers to increase visibility of these opportunities. This is an area we are excited to continue growing and developing.

Our first Future Leaders Programme will be concluding later in 2020 whereby a number of internal colleagues will gain formal management accreditations and we will be launching a second cohort of this programme later in FY21.

We are also working closely with local schools and colleges to support work experience opportunities and educational events.

Share scheme

The Group believes that having an effective employee share ownership programme helps to align colleagues' interests with shareholders' and provides an effective tool for attracting, retaining and motivating staff. In November 2014 the Group launched an HMRC approved Redcentric plc Save As You Earn Option Plan where colleagues contribute a monthly amount which is saved over three years to buy shares in the Company at a pre-determined price.

The most recent grant was made on 21 August 2019, with the Company granting options over a total of 488,342 ordinary shares. These options are available for exercise from 1 October 2022, with an exercise price of 63.1p.

As at 31 March 2020, the following options were outstanding under the plan:

Grant date	Exercise price (p)	Opening options	Options granted	Options exercised	Options lapsed / cancelled	Options remaining
14 December 2015	154p	25,122	-	-	(25,122)	-
30 August 2017	63.0p	949,398	-	(13,492)	(89,933)	845,973
21 August 2019	63.1p	-	488,342	-	(8,557)	479,785
Total	n/a	974,520	488,342	(13,492)	(123,612)	1,325,758

COVID-19

We have adapted our internal communications approach over the last few months to ensure we continue to engage with all our colleagues both in the UK and Hyderabad with a specific focus on supporting mental health whilst working at home. We are pleased to say that this change in approach has been well received with 98% of respondents to a recent survey confirming they felt connected to their teams and the people they work with. Additional routes to provide support for mental health have been identified and communicated.

We are also really pleased to confirm that as a business we have not made use of the government's furlough scheme, choosing instead to focus our colleagues on providing outstanding support for customers and accelerating the delivery of key strategic objectives which will stand the business in good stead for the future.

Corporate responsibility (continued)

Charitable activity

All colleagues are encouraged to take a day's paid leave per year to undertake volunteering activity or raise funds for their chosen charities.

On a corporate basis we also work closely with a number of charities including Macmillan Cancer Support, Sue Ryder and the Kidney Cancer Support Network and we have donated over £10,000 to these charities over the last twelve months. We have also worked in partnership with some of our customers to sponsor a number of charitable events.

We have also developed a national corporate social responsibility ("CSR") strategy to support our key customers in their local areas and will be rolling this out in the new financial year.

Health & safety

Redcentric is committed to maintaining high standards of health and safety. New starters receive health and safety training through our learning management system during their induction period and refresher training is provided to all colleagues every twelve months. No RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) accidents were reported during the year.

Our response to the COVID-19 pandemic has clearly been a priority and we have been and remain committed to ensuring the safety of all our colleagues and customers both now and in the future.

All colleagues who are able to have been working from home since 16 March 2020 and we have introduced guidelines for any colleagues in the office and for any visitors to the office in line with the working safely during coronavirus guidelines. Engineers visiting customer sites for essential activities have all been provided with PPE and have been given the appropriate tools to conduct COVID risk assessments ahead of any site visits to ensure their ongoing safety.

Environmental management

Redcentric continues to hold the ISO 14001 Environmental Management System accreditation, maintaining its focus on the impact of waste, travel and utility usage on the environment. ISO 14001 accreditation currently covers operations in the UK only. The Group's environmental policy outlines our commitment to improving our environmental performance, with key objectives covering reduction in energy consumption, company travel and office consumables, across all of which we were able to realise year on year comparison improvements.

Corporate responsibility (continued)

Carbon footprint

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, we report on our greenhouse gas ("GHG") emissions as part of the Strategic Report. As FY20 is the first year of the reporting, no comparative figures have been provided.

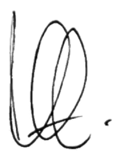
The method used to calculate our emissions is based on the government's Environmental Reporting Guidelines (2019), including streamlined energy and carbon reporting guidance, and used the government GHG Conversion Factors for Company Reporting (Full Set 2019 version 1.0). The reported emission sources include those which we are responsible for, as required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, with the exception of the following which were excluded from this report:

- liquefied petroleum gas consumed by mechanical handling (small forklift truck) due to immateriality; and
- voluntary scope 3 emissions.

The emissions for FY20 have been externally verified by Energy Management Limited.

		Year ended 31 March 2020
Scope 1	Thousand tonnes of CO2e	**275**
Location-based scope 2	Thousand tonnes of CO2e	**5,182**
Total emissions	Thousand tonnes of CO2e	**5,457**
Total energy consumption in the UK	Thousand kWh	**21,426**

The Strategic Report on pages 4 to 37 is signed on behalf of the Board by



Peter Brotherton
Chief Executive Officer
21 July 2020

> Redcentric is giving us a hugely flexible and functional platform which we can use as a springboard to optimise both IT delivery and care provision. It gives us the perfect opportunity to reengineer the front-end experience, to give clinicians and healthcare staff a desktop that actually works for them and their patients.

virgincare

Introduction to Governance

Introduction to Governance

The Board recognises the importance of high standards of corporate governance and integrity. It is committed to effective corporate governance as the basis for delivering long-term value growth and for meeting shareholder expectations for proper oversight and leadership of the business. I am responsible, as Chairman of the Board, for corporate governance within Redcentric, and the Board is committed to maintaining a strong governance and ethical structure that supports and sustains its decision making. We believe that having good corporate governance is fundamental to pursue success for the Group and its stakeholders. As such, the Company has adopted the Quoted Companies Alliance Code for Small & Mid-sized Quoted Companies 2018 (the "QCA Code") as its benchmark for governance matters and we believe that we are in full compliance at the date of this report.

This section of the Annual Report and Accounts sets out how the Group has applied and complies with the principles of the QCA Code. We will continue to review and update our approach and will update our Corporate Governance statement in the AIM Rule 26 section of the Group's website.

Ian Johnson
Chairman

Corporate Governance

Governance Principle	Application
Principle 1 Establish a strategy and business model which promotes long-term value for shareholders	The Group's business model and strategy is discussed within the Chief Executive's Review on pages 11 to 15 and also on page 28. Details of the key risks and challenges facing the Group and the high-level management of such are outlined on pages 32 to 33. The Operating Board this year overhauled the risk register and engagement of the Operating Board has been a key area of progress during the year. The risk register is shared and refined with the Audit Committee and Board at key intervals in the year.
Principle 2 Seek to understand and meet shareholder needs and expectation	The Group is committed to engaging with its shareholders to ensure that the strategy and business model are clearly shared and understood. The Board believes that the disclosures of this Annual Report and Accounts provide information necessary for shareholders to assess the Group's performance, business model and strategy. Copies of the Annual Report and Accounts are issued to all shareholders that have requested them and copies are also available on the Group's website. The Group's half year report is also available on the Group's website and the Group makes full use of the website to provide information to the shareholders and other interested parties. The Executive Directors of the Company are in regular contact with the Company's shareholders and brief the Board on feedback and any shareholder issues. In FY20, investor briefings and roadshows were held at regular intervals, including following announcement of the preliminary and interim results, and other ad-hoc one to one meetings with key investors and potential investors were also held through the year. There is also regular dialogue with shareholders through the Company's corporate brokers, finnCap Limited (and Numis Securities until January 2020), who keep the Company abreast of shareholder expectations and reactions. Any reports from analysts that refer to the Company or cover the sector are circulated to the Board to support their understanding of the views of the investment community. finnCap, as broker, provides feedback directly to the Board from shareholder meetings and events such as the investor day. An update on key shareholding changes and any relevant investor sentiment is also provided in each Board report and Board meeting. There is a dedicated investor relations contact email address should shareholders or investors wish to contact the Company (investorrelations@redcentricplc.com) and the Company Secretary also deals with a number of written queries throughout the year along with the Company's registrar, Link Asset Services. The Chairman and other Non-Executive Directors will always make themselves available to shareholders. The AGM is usually a key opportunity for this, with shareholders being given the opportunity to raise questions during the AGM and the Board being available both prior to and after the meeting for further discussion with shareholders. However, due to the COVID-19 pandemic, shareholders will regretfully not be able to attend the 2020 AGM. Details of the business to be conducted at the 2020 AGM together with arrangements for the AGM due to the COVID-19 pandemic and what shareholders should do to vote by proxy are set out in a separate Notice of Annual General Meeting. To ensure that shareholders have the ability to ask questions of the Board, the Board shall accept any questions relating to the business being dealt with at the AGM to be submitted by shareholders in advance to the Company. The Company will publish questions and responses to any questions sent to investorrelations@redcentricplc.com on the Group's website in advance of the AGM. The voting record at the Company's general meetings is monitored and we are pleased that all resolutions were passed by shareholders at the 2019 AGM.

Corporate Governance (continued)

Governance Principle	Application
Principle 3 Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Board recognises that the long-term success of the business relies on its customers and colleagues as described on pages 11 to 15, 28 to 31 and pages 34 to 35 and that engagement with these key stakeholders is fundamental to helping the Board make the best business decisions. **Colleagues** The dedication and skill of colleagues is fundamental to the Group's operation and success and, as such, we are committed to colleague engagement and listening to and acting on feedback from colleagues. In FY20 a new HR Director was appointed to the Group to ensure it is a great place to work and the first colleague engagement survey for many years was carried out to give colleagues an opportunity to provide detailed and thorough feedback. As described on page 34, a Group-wide plan has been developed in response to some of the themes identified through the survey, including in relation to flexibility of working, the development of the Group's new vision, mission and values and the introduction of a Group-wide online objectives and feedback system. The Group's online learning management system has also been relaunched in response to feedback that colleagues would like to see greater focus on development. Other opportunities for colleagues to provide feedback include quarterly colleague briefing sessions carried out by the Operating Board at various business locations to enable colleagues to ask questions and raise issues and to provide colleagues with updates on the business. We continue to evolve our internal communications strategy and internal ways of working to ensure colleagues are engaged and involved. As detailed on page 35 the Group also has in place a Save As You Earn Option Plan to enable colleagues to become personally invested as shareholders of the Company. In FY20 the Group made considerable investment in our working environments, taking on board colleague feedback to refresh the main office in Harrogate, with new furniture, décor and the introduction of a number of innovative "pods" for collaborative thinking and meeting. **Customers** The Group's extensive customer services, which are detailed on the Group's website at www.redcentricplc.com/services , are core to the Group's customer proposition and the Group is in regular dialogue with its existing and potential customers in order that it may understand and respond to their ongoing and future requirements.
Principle 4 Embed effective risk management, considering both opportunities and threats, throughout the organisation	As set out in the Audit Committee Report on page 48, the Board is committed to ensuring that risk management forms part of the way the Group works and is embedded in the business. The risk register of the Group has been overhauled in the year and is regularly reviewed by the Operating Board before reporting to and review by the Board. The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The implementation and maintenance of the risk management and internal control systems are the responsibility of the Operating Board. However, the internal control system is designed to manage rather than eliminate risk and can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system cover financial, operational and compliance controls and include: • close management of the day-to-day activities of the Group by the Executive Directors; • an established budgetary system with the preparation and approval of an annual budget by the Board and regular monitoring and review of performance against budget, forecasts and prior year;

Corporate Governance (continued)

Governance Principle	Application
	• detailed monthly reporting to the Board (including financial information, performance against budget and key performance and risk indicators) whereby the Executive Directors report on significant changes to the business and external marketplace to the extent they represent significant risk, • an organisational structure that has clear reporting lines and delegated authorities; • management and monitoring of risk and performance at multiple levels throughout the Group; • strengthened finance and legal functions that maintain processes and systems to enhance the control environment, including the control of expenditure, authorisation limits, purchase ordering, sales order intake, contract review and approval; and • the principle treasury related risks are documented and approved by the Board. The Group has also worked hard over some time to attain a number of ISO accreditations, detailed at www.redcentricplc.com/about-us/accreditations-frameworks/, and has a number of policies and procedures in place in order to fulfil the requirements of and maintain these accreditations.
Principle 5 Maintain the board as a well-functioning, balanced team led by the chair	The composition of the Board is detailed on page 46. The Board delegates specific responsibilities to the Board committees. The composition of the committees and how they discharge their responsibilities can be found on pages 44, 48 and 49. Part of the role of the Board's Nomination Committee is to keep the composition of the Board under review as the Group's business evolves. It is the intention of the Board to diversify its composition in due course where appropriate and where the opportunity arises. In October 2019, the Company announced the appointment of Ian Johnson as Non-Executive Chairman as Chris Cole stepped down. Ian has previously served on the boards of a number of public and private companies and has a strong track record in building shareholder value. Chris Rigg also stepped down as a Non-Executive Director in December 2019. The Company appointed Dean Barber as an Executive Director and Chief Financial Officer in September 2019 and following the end of the year announced his replacement on the Board and as Chief Financial Officer by David Senior. David has been with the Group since 2017 and has been instrumental in building a strong finance team and contributed to the commercial successes of the Group. The Board is satisfied that it has an appropriate balance between independence and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged and expected to use their independent judgement and to challenge matters where required, both strategic and operational. The Executive Directors of the Company are employed on a full-time basis. Non-Executive Directors are required to devote such time to the Group's affairs as necessary to discharge their duties and this may change from time to time. In addition to scheduled Board meetings, members are required to attend other ad hoc Board meetings, committee meetings, the AGM, site visits, Board dinners and any other business or general meetings as required. Board members are also required to consider all relevant papers before each meeting and to devote additional time in respect of preparation and ad hoc matters which may arise. Non-Executive Directors are required to obtain the agreement of the Chairman before accepting additional commitments that may affect the time that they are able to devote to their role as a non-executive director. Further details of external appointments of the Board are included in their biographies on page 46. In addition to being Non-Executive Chairman of the Company, Ian Johnson is Executive Chairman of Circassia plc and Non-Executive Director of Ergomed plc. Ian has, nonetheless, been able to devote sufficient time to the Group to date and the Board will continue to monitor this.

Corporate Governance (continued)

Governance Principle	Application
	Details of the number of regular scheduled meetings of the Board and committees, together with the attendance record for each Board member, are set out on page 45. The Board recently concluded an assessment of its performance and more detail is provided below against Principle 7.
Principle 6 Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Directors' details and biographies are on page 46. The Board considers that it has sufficient skills and experience to enable it to execute its duties and responsibilities effectively given the nature and size of the Group. As mentioned above, the appointment of Ian Johnson and David Senior to the Board has extended the breadth of experience on the Board and enhanced its capabilities. Directors are responsible for ensuring their continuing professional development to maintain their effective skills and knowledge. As part of the Board performance assessment recently concluded, details of which are set out below, each Board member provided information on their individual skills and experience in areas relevant to the Group. This exercise indicated a high level of capability and also provided insight on additional areas that could potentially form part of the specification for any future Board appointments. The Board receives monthly reports on the Group's operational and financial performance as mentioned above, and formal agendas and reports are also circulated to the Board in advance of meetings. The Board has access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and applicable rules and regulations are adhered to. Directors are able to obtain further advice or seek clarity on issues raised in reports or at meetings from within the Group or from external sources. The Board also has a procedure whereby any director may seek, through the Company Secretary, independent professional advice in furtherance of their duties, if necessary, at the Group's expense. Stephen Vaughan is the Company's Senior Independent Director and provides a sounding board for the Chairman and also serves as an intermediary for the other directors where required. External advisers or consultants have been engaged by the Board in respect of the FCA Investigation and the implementation of the Restitution Scheme, both being significant matters; by the Nomination Committee in relation to the appointment of a new Non-Executive Chairman; and by the Remuneration Committee in relation to Executive and senior management remuneration arrangements as described in the Directors' Remuneration Report. On appointment to the Board, new directors receive a tailored induction pack and introductions to relevant personnel within the Group.
Principle 7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The Board has recently carried out its first evaluation in a number of years. The assessment was internally facilitated and comprised the following elements: • a questionnaire completed by every Board member covering Board and Committee structure, processes, agendas and priorities. Each Board member's assessment of their individual performance and feedback on each other was also sought. The questionnaire was based on one designed by external consultants with considerable experience of Board reviews, but tailored to meet the specific circumstances of the Group; • completion of a skills matrix by each Board member, as referred to under Principle 6 above, to identify areas of expertise on the Board and additional areas that the Board could consider in relation to future appointments; • a Board discussion facilitated by the Company Secretary on the outputs of the questionnaire and skills matrix.

Corporate Governance (continued)

Governance Principle	Application
	The processes identified a number of actions which the Board believes will assist in improving Board performance and these will be implemented during the year, including: • increasing the number of scheduled board meetings to be held in the year; • agreeing revised timetables for distribution of papers in advance of Board meetings; and • ensuring that there is robust succession planning in place for senior roles.
Principle 8 Promote a corporate culture that is based on ethical values and behaviours	The Board aims to lead by example with respect to promoting a healthy corporate culture and ensuring that ethical values and behaviours are embedded in the business. The processes in place for decision making which are documented in its Committee terms of reference, the Company's share dealing code and the requirement for regular disclosure of interests are all examples of processes which require high standards of behaviour from the Board. Employment policies adopted by the Group, such as its whistleblowing and anti-bribery policies, assist in embedding a culture of ethical behaviour and the values set out in its corporate social responsibility statement and Modern Slavery Act statement also reinforce this culture. The Group is proud that it works closely with a number of charities including Macmillan Cancer Support, Sue Ryder and the Kidney Cancer Support Network and that it has donated over £10,000 to these charities over the past year. It has also worked in partnership with customers to sponsor a number of charitable events.
Principle 9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	The business and management of the Group are the collective responsibility of the Board. The Board meets at least six times a year in accordance with its scheduled meeting calendar and this schedule is supplemented with additional meetings as and when required. The attendance by each Board member at meetings held in the year is shown in the table below. At each scheduled meeting, the Board considers and reviews the trading performance of the Group. The Board and its Committees receive appropriate and timely information prior to each meeting in accordance with a reporting timetable agreed with the Board and Operating Board. A formal agenda is agreed with the Chairman for each meeting and papers are distributed several days ahead of meetings taking place. The Board has a formal written schedule of matters reserved for its review and approval including approval of the annual budget, major capital expenditure and interim and annual results. All specific actions arising are documented following each Board and Committee meeting, followed up by the Executive Directors and Company Secretary and then reviewed at the next meeting. **Board committees** The Board is supported by the Audit, Nomination and Remuneration Committees. A report on the composition, responsibilities and key activities of the Audit Committee are set out in the Audit Committee Report and in the Directors' Remuneration Report for the Remuneration Committee. The Nomination Committee consists of Ian Johnson (Chairman), Stephen Vaughan and Jon Kempster. The Committee meets at least once a year and as required, particularly as and when necessary to identify and nominate, for approval by the Board, candidates for Board appointments. The Committee engages external consultants when appropriate to assist in the search for and selection of new Board members. During the year, the Nomination Committee was involved in the appointment of Ian Johnson as Non-Executive Chairman and David Senior as a Director and Chief Financial Officer as detailed above. The Committee has terms of reference in place which have been formally approved by the Board and once a year it reviews the structure, size and composition (including diversity) of the Board, considers succession planning and reviews the leadership needs of the organisation.

Corporate Governance (continued)

Governance Principle	Application
	Operating Board Authority for execution of approved policies, business plan and daily running of the business is delegated to the Executive Directors together with the rest of the Operating Board, which manages and monitors operational performance across the business and ensures effective decision-making. The Operating Board meets on a weekly basis and provides written reports to the Executive Directors on a monthly basis shortly before each Board meeting to ensure that the Board has the most up to date information possible
Principle 10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Board communicates with its shareholders in a range of ways including through the Annual Report and Accounts, interim and full-year results announcements, further trading updates where required and appropriate, the AGM, investor roadshows and ono-to-one meetings with major existing shareholders or potential new shareholders. The Group's website (www.redcentricplc.com), particularly the investor section of the site, also provides a range of corporate information for shareholders, investors and the public, including all Company announcements and presentations. Group performance information is communicated to colleagues, within the limitations imposed by the Company's public company disclosure obligations, in a number of ways, including regular colleague-wide email communications from the Executive Directors and Operating Board and the quarterly colleague briefing sessions referred to above.

The following table details the attendance of the Board members at regular scheduled Board and Committee meetings held during FY20.

Name	Position (at 31 March 2020)	Main Board		Audit Committee		Remuneration Committee		Nomination Committee	
		Total	Attended	Total	Attended	Total	Attended	Total	Attended
Ian Johnson[1]	Chairman	3	3	-	-	-	-	1	1
Stephen Vaughan	NED	9	9	4	3	5	5	5	5
Jon Kempster	NED	9	9	4	4	5	5	5	5
Peter Brotherton	CEO	9	9	-	-	-	-	-	-
Dean Barber[2]	CFO	5	5	-	-	-	-	-	-
Chris Cole[3]	--	6	6	-	-	-	-	4	4
Chris Rigg[4]	--	8	8	3	3	4	4	4	4

[1]Appointed with effect from 17 October 2019

[2]Appointed with effect from 2 September 2019

[3]Resigned with effect from 17 October 2019

[4]Resigned with effect from 31 December 2019

Board of Directors

Non-Executive Directors

Ian Johnson Independent Non-Executive Chairman

Appointment date: 16 October 2019

Committee membership: Chairman of the Nomination Committee and member of the Remuneration Committee

Experience and external appointments: Ian has served on the boards of a number of public and private companies and has a strong track record in building shareholder value. He was founder and CEO of Biotrace International plc until December 2006, Non-Executive Chairman of Celsis Group Ltd from 2009 until 2015, Chairman of Cyprotex plc until 2016, Chairman of Quantum Pharma plc until 2017 and Executive Chairman of Bioquell plc from 2016 until 2019. Ian is currently also a Non-Executive Director of Ergomed plc, a provider of specialised services to the pharmaceutical industry and Executive Chairman of Circassia Pharmaceuticals plc, a specialty pharmaceutical company.

Stephen Vaughan Independent Non-Executive Director

Appointment date: 13 June 2017 (and Senior Independent Non-Executive Director since 24 July 2017)

Committee membership: Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees

Experience and external appointments: Through his career, Stephen has held a number of Executive and Non-Executive roles focused on the technology sector. Until 2015, Stephen was Chief Executive of Phoenix IT plc, the main-market listed IT infrastructure services business, and since then has been Non-Executive director of Mobica, a software development company, and Chairman of NetNames, the internet services and online brand management company. He was previously Chief Executive Officer at Communisis plc and Synstar plc. Stephen is also currently Non-Executive Chairman of Progressive Equity Research Limited, the paid for equity research house, and a Non-Executive Director of Amino Technologies plc, technology provider of media and entertainment solutions.

Jon Kempster Independent Non-Executive Director

Appointment date: 10 January 2017

Committee membership: Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees

Experience and external appointments: Jon is an ACA qualified chartered accountant and was previously the Chief Financial Officer at Frasers Group plc, Utilitywise plc, Wincanton plc, Low and Bonar plc, Linden Group plc and Fii Group plc. He is also currently an Independent Non-Executive Director of Ted Baker plc, the global lifestyle brand and Bonhill Group plc, the digital media and events company.

Executive Directors

Peter Brotherton Chief Executive Officer

Appointment date: 28 November 2016. Peter served as Chief Financial Officer of the Company from 28 November 2016 to 21 November 2018 and then as Interim Chief Executive Officer from 22 November 2018 to 28 May 2019, when he was appointed as Chief Executive Officer.

Experience and external appointments: Peter has over 25 years' experience across a number of senior finance roles. Peter's two previous roles were as Chief Financial Officer of Gametech and Chief Financial Officer at PKR Group. Prior to those two roles, from 2011 to 2014, Peter was Chief Financial Officer and then Chief Executive Officer of Meucci Solutions NV. Meucci Solutions was an international telecommunications and managed services business. During his time at Meucci Solutions, the business saw strong sales and EBITDA growth whilst also extensively reviewing its central financial control function. Peter also had senior finance roles at Varla (UK) Limited, Cell Structures Group plc and spent five years at Kingston Communications plc, becoming Director of Finance. Peter qualified as an ACA chartered accountant at KPMG. Peter holds no external appointments.

David Senior Chief Financial Officer

Appointment date: 3 April 2020

Experience and external appointments: David served in the role of Finance Director of the Group since 2017, prior to his appointment as Chief Financial Officer. During his time with the Group to date, David has been instrumental in building a strong finance team and made a significant contribution to the commercial successes of the Group over the last three years. David is a chartered certified accountant with twenty years of experience in finance, including in several senior positions with Wolseley plc. David holds no external appointments.

We deployed Teams to our entire workforce over a weekend. This went down extremely well and was an integral part in continuity for our business during these difficult times.

From signing of the contract to delivery, the turnaround was very quick. You delivered what you said you would and delivered ahead of what you promised. From the IT team's perspective as well as for our users, it was such a simple journey and exactly how we'd like a new deployment to run.

ArmstrongWatson®
Accountants, Business & Financial Advisers

Audit Committee Report

The Audit Committee Report which describes the work of the Committee in the last year.

Governance

The Audit Committee consists of Jon Kempster, Chairman of the Committee and the Senior Independent Non-Executive Director, Stephen Vaughan. Chris Rigg also formed part of the Committee until his retirement as a Non-Executive Director from the Board on 31 December 2019.

The Committee meets at least three times a year at appropriate intervals in the financial reporting and audit cycle, and at other times during the year as agreed between the members of the Committee or as required. The Executive Directors are not members of the Committee but attend Committee meetings by invitation, as necessary, to facilitate its business. The Committee also meets the external auditor at least once a year without management present, to discuss their remit and any issues arising from the previous audit.

During the year, the Committee met four times. Attendance details are provided on page 45.

Key responsibilities

The Committee's terms of reference are available on the Investor section of the Group's website. In accordance with the terms, the Committee's responsibilities include:

- monitoring the integrity of the financial statements of the Group, including all formal announcements relating to financial performance;
- reviewing and reporting to the Board on significant financial reporting issues and judgements contained in any announcements of financial performance;
- reviewing the effectiveness of internal financial controls and internal control and risk management systems and the need for an internal audit function;
- reviewing the adequacy of arrangements for the raising of concerns about possible wrongdoing, procedures for detecting fraud and systems and controls for the prevention of bribery;
- the recommendation of, appointment, re-appointment, and removal of the external auditors;
- reviewing the scope and results of the external annual audit by the auditors, their cost effectiveness, independence and objectivity;
- reviewing the nature and extent of any non-audit services provided by the external auditors.

The Committee reports on all such matters to the Board.

Internal control and risk management

The Audit Committee supports the Board in reviewing the risk management methodology and the effectiveness of internal control. During the year, has Group has reviewed its approach to risk assessment and overhauled its risk register with the engagement of the Operating Board. The management of the risk register is coordinated by the Chief Financial Officer with regular reviews at Operating Board level and reporting on key risks and mitigating actions to the Committee.

External audit

The Audit Committee approves the appointment and remuneration of the external auditor and the Chief Financial Officer monitors the level and nature of non-audit services and specific assignments are flagged for approval by the Audit Committee as appropriate. The Audit Committee reviews non-audit fees and considers implications for the objectivity and independence of the relationship with the external auditors. The Committee maintains regular dialogue with the external auditor on ways to improve the efficiency and effectiveness of the external audit process.

The responsibilities of the Board and external auditor in connection with the Group's financial statements are set out in the Statement of Directors' Responsibilities and Auditor's Report respectively and details of the services provided by and fees payable to the auditor are included in note 8 to the Consolidated Financial Statements.

KPMG LLP were appointed as the Group's auditors on 15 May 2017. There is an active, ongoing dialogue between the Committee and the external auditor to ensure there is a clear roadmap of actions to improve the effectiveness and efficiency of the external audit process.

Significant reporting issues and judgements

Details of the significant estimates and judgements made in connection with the preparation of the financial statements are in note 1.25 to the Consolidated Financial Statements.

Jon Kempster
Chair of the Audit Committee
21 July 2020

Directors' remuneration report

The Remuneration Committee is chaired by Stephen Vaughan as independent Non-Executive Director and Jon Kempster and Ian Johnson, who are also independent Non-Executive Directors. Ian Johnson was appointed as a member of the Committee following Chris Rigg's retirement from the Board during the year. The Committee meets at least twice a year and at other times during the year as agreed between the members of the Committee. The Remuneration Committee met five times during FY20. The attendance record for those meetings is included on page 45.

Responsibilities

The Group is committed to maximising shareholder value over time. Each year the Remuneration Committee reviews the incentive and reward packages for the Executive Directors to ensure that they are aligned with the Group's strategic objectives and financial performance and are appropriate to attract, retain and motivate management behaviour in support of the creation of shareholder value.

The Committee has formal terms of reference which can be found in the investor section of the Group's website. The Committee makes recommendations to the Board, within its terms of reference, on the remuneration and other benefits, including bonuses and share options, of the Executive Directors. The terms of reference also include committee oversight of several other significant remuneration matters beyond those of the Executive Directors, including the remuneration and retention of key Operating Board members. In considering remuneration for the year, the Committee consulted with the Executive Directors about its proposals. The Board sets the annual base fees payable to the Non-Executive Directors and they do not receive any additional benefits, nor are they eligible to participate in any pension, bonus or share-based incentive arrangements.

Chief Executive Officer

Peter Brotherton (formerly Chief Financial Officer), who was Interim Chief Executive Officer from 22 November 2018, was appointed as permanent Chief Executive Officer on 28 May 2019. The remuneration package of the Chief Executive Officer was reviewed and approved by the Remuneration Committee on his permanent appointment.

Chief Financial Officer

Dean Barber was appointed as Chief Financial Officer with effect from 2 September 2019 and his remuneration package was reviewed and approved by the Remuneration Committee as part of the recruitment process.

David Senior replaced Dean Barber as Chief Financial Officer following the end of FY20 on 3 April 2020, and his remuneration was reviewed and approved by the Remuneration Committee as part of his appointment.

Basic salary and benefits

Basic salaries are reviewed on a discretionary basis. The benefits provided for each Executive Director include:

I. life assurance cover of 4 times salary;

II. private medical insurance for themselves, their spouse and their children; and

III. a contribution to a private pension plan.

Performance-related bonus

The Remuneration Committee determines the criteria for the award of performance bonuses for the Executive Directors in advance of each year. The bonuses are non-pensionable.

In addition to the Long-Term Incentive Programme, the Executive Directors participate in a special bonus scheme which will pay out, in the event of a change of control, either shares in the Company or an equivalent monetary value at the change of control price, subject to the discretion of the Remuneration Committee at the time and also subject to an initial uplift requirement. Dean Barber's participation in this scheme lapsed upon his leaving the Group and David Senior has now been included in this scheme. During the year, the Remuneration Committee took external legal advice (at a fee of £3,600) in relation to this change of control bonus scheme and in particular in relation to the drafting of the scheme wording.

Share options

Executive Directors participate in the Company's share option schemes and the Remuneration Committee approves the granting of any share options.

Directors' remuneration report (continued)

Recruitment and promotion policy

The Committee proposes an Executive Director's remuneration package for new appointments in line with the principles outlined in the table below:

Element of remuneration	Policy
Base salary	Base salaries are set by the Committee on appointment and then reviewed annually. In setting and reviewing salaries, the Committee considers the responsibilities of the role, progression in the role, individual performance, skills, experience and pay levels within the Group.
Benefits	Executive Directors are entitled to life assurance cover of four times salary and private medical insurance for themselves, their spouse and their children.
Pension	Executive Directors are entitled to receive pension contributions from the Company.
Annual bonus	The Remuneration Committee determines, at the start of the financial year, the criteria for the award of a discretionary annual performance bonus. Performance is measured over the full financial year and appropriate clawback provisions are in place in relation to any payments made.
Long-term incentives	Executive Directors are entitled to participate in the Company's Long-Term Incentive Plan (LTIP) and Save As You Earn ("SAYE") Option Plan. The Remuneration Committee approves the granting of any share options under the Long-Term Incentive Plan and the Board approves the issue of invitations to apply for SAYE options.

Service contracts

The Chief Executive Officer and Chief Financial Officer have service contracts with a provision for termination notice period of six months, increased to twelve months in the event of a takeover.

Non-Executive Directors have letters of appointment. Appointments can be terminated with six months' notice. The remuneration of the Non-Executive Directors takes the form of an annual fees which is not pensionable.

The details of the Executive Directors' service contracts and Non-Executive Directors' appointment letters are summarised below:

	Date of appointment	Contractual notice period (months)	Length of service at 31 March 2020
Executive Directors			
Peter Brotherton	28 November 2016	6[1]	3 years 4 months
Dean Barber	2 September 2019	6[1]	7 months
Non-Executive Directors			
Ian Johnson	17 October 2019	6	5 months
Jon Kempster	10 January 2017	6	3 years 2 months
Stephen Vaughan	13 June 2017	6	2 years 9 months
Chris Cole (resigned 17 October 2019)	1 September 2014	6	5 years 1 month
Chris Rigg (resigned 31 December 2019)	21 January 2019	6	11 months

[1]12 months in the event of a takeover.

The service contracts and letters of appointment continue in force until notice in writing is given by either the Company or the Director.

Directors' remuneration report (continued)

The Executive Directors' salaries as at 31 March 2020 are set out in the table below:

	Salary 31 March 2020 £000	Salary 31 March 2019 £000
Executive Directors		
Peter Brotherton	**300**	300
Dean Barber	**170**	-

Chairman and Non-Executive Directors' fees

The Board, within the limit authorised by the Company's Articles of Association and following recommendation by the Executive Directors, determines Non-Executive Directors' fees. The Chairman receives a fee of £85,000 and the other Non-Executive Directors receive a fee of £35,000, with an additional fee of £5,000 for chairing a Board committee.

	Annual fee 31 March 2020 £000	Annual fee 31 March 2019 £000
Ian Johnson (appointed 17 October 2019)	**85**	-
Jon Kempster (Chair of Audit Committee)	**40**	40
Stephen Vaughan (Chair of Remuneration Committee)	**40**	40
Chris Cole (resigned 17 October 2019)	**70**	70
Chris Rigg (resigned 31 December 2019)	**40**	40

Directors may claim reasonable business expenses in accordance with the Group's expenses policy and be reimbursed on the same basis as all employees. The Group may reimburse business expenses which are in future classified as taxable benefits by HMRC.

Total remuneration for the Chief Executive Officer

The table below shows the total remuneration figure for the Chief Executive Officer over a five year performance period. The total remuneration figure includes bonus and benefits.

Year ended 31 March	Executive	Total single figure £000
2020	Peter Brotherton	489
2019	Peter Brotherton	100
	Chris Jagusz[1]	207
2018	Chris Jagusz	154
	Fraser Fisher[2]	209
2017	Fraser Fisher	369
2016	Fraser Fisher	266
	Tony Weaver[3]	120

[1] Chris Jagusz was Chief Executive Officer until his resignation on 22 November 2019. Peter Brotherton was appointed interim Chief Executive Officer at this time.

[2] Fraser Fisher was Chief Executive Officer until his resignation on 20 October 2017. Chris Jagusz was appointed Chief Executive Officer at this time.

[3] Tony Weaver was Chief Executive Officer until his resignation on 1 November 2016. Fraser Fisher was appointed Chief Executive Officer at this time.

Directors' remuneration report (continued)

Single total figure of remuneration for Directors (audited)

The remuneration of the Directors in respect of the year was as follows:

	Basic Salary, allowances, and fees £000	Bonus £000	Pensions £000	Share-based payments £000	**Year ended 31 March Total £000**	Year ended 31 March Total £000
Executive						
Peter Brotherton[1]	307	80	4	138	**529**	419
Dean Barber[2] (appointed 2-Sept-19, resigned 3-Apr-20)	103	-	4	-	**107**	-
Chris Jagusz[3] (resigned 21-Nov-18)	-	-	-	-	**-**	383
Non-executive						
Ian Johnson (appointed 16-Oct-19)	39	-	-	-	**39**	-
Stephen Vaughan	49	-	-	-	**49**	40
Jon Kempster	44	-	-	-	**44**	36
Chris Cole (resigned 16-Oct-19)	41	-	-	-	**41**	70
Chris Rigg (resigned 31-Dec-19)	30	-	-	-	**30**	7

[1]Includes travel allowance of £7k. On 26 September 2019, Peter Brotherton exercised nil-cost options over 161,905 ordinary shares of 0.1p each.

[2]Includes car allowance of £4k

[3]Any share-based payments issued to Chris Jagusz in FY19 lapsed upon his departure. The expense was therefore written back in FY19 and there was net nil impact to the P&L.

Directors' remuneration report (continued)

Executive Director's share options in the Company (audited)

Details of share options in the Company held by the Directors during the year are as follows (audited):

		Exercise price (p)	Balance at 31 March 2019	Granted	Forfeited / expired	Exercised	Balance at 31 March 2020
Peter Brotherton	(a)	Nil	161,905	-	-	(161,905)	-
	(b)	Nil	192,481	-	-	-	192,481
	(c)	63	28,571	-	-	-	28,571
	(d)	Nil	298,879	-	-	-	298,879
	(e)	Nil	-	379,267	-	-	379,267
			681,836	379,267	-	(161,905)	899,198
Dean Barber	(f)	Nil	-	175,750	-	-	175,750

(a) The options were granted on 29 December 2017 under the Company's LTIP and vested post the release of the Group's results for the year ended 31 March 2019.

(b) The options were granted on 29 June 2017 under the Company's LTIP. The options will vest post the release of the Group's results for the year ended 31 March 2020 subject to the achievement of performance conditions related to the growth in earnings per share.

(c) The options were granted pursuant to the Company's HMRC approved SAYE Option Plan. These options are available for exercise from 30 August 2020.

(d) The options were granted on 26 November 2018 under the Company's LTIP. The options will vest post the release of the Group's results for the year ended 31 March 2021 subject to the achievement of performance conditions related to the growth in earnings per share.

(e) The options were granted on 28 June 2019 under the Company's LTIP. The options will vest post the release of the Group's results for the year ended 31 March 2022 subject to the achievement of performance conditions related to the growth in share price.

(f) The options were granted on 3 September 2019 under the Company's LTIP. The options will vest post the release of the Group's results for the year ended 31 March 2022 subject to the achievement of performance conditions related to the growth in share price.

Directors' interests in shares

The interests (both beneficial and family interests) of the Directors in office at the date of this report in the share capital of the Company were as follows:

	Interests in ordinary shares at 31 March 2020	Interests in ordinary shares at 31 March 2019	Interests in share-based incentive options
Executive			
Peter Brotherton	**105,000**	20,000	899,198
Dean Barber	**-**	-	-
Non-Executive			
Stephen Vaughan	**20,000**	20,000	-
Jon Kempster	**10,249**	-	-

Directors' remuneration report (continued)

Remuneration policy for Executive Directors compared to other employees

The table below shows the movement in the salary, benefits and annual bonus for the Chief Executive Officer between the current and previous financial year compared to that of the total amounts for all employees of the Group for each of these elements of pay.

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000	Change %
Chief Executive Officer			
Salary	**300**	300	-
Benefits	**11**	12	-8.3%
Annual Bonus	**80**	40	100%
Average of all employees			
Salary	**36**	33	9.1%
Benefits	**2**	2	-
Annual Bonus	**1**	1	-

Relative importance of spend on pay

The table below shows the Group's expenditure on shareholder distributions (including dividends) and total employee pay expenditure. Additional information on the number of employees, total revenue and underlying profit has been provided for context.

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000	Change %
Employee expenditure	**20,230**	21,027	-3.8%
Distributions to shareholders	**2,731**	597	+357.5%
Average number of employees	**462**	479	-3.5%
Revenue	**87,485**	93,260	-6.2%
Adjusted EBITDA	**20,744**	16,911	+22.7%

Share price

The market price of the Company's shares on 31 March 2020 was 100p per share. The highest and lowest market prices during the year were 115p and 70p respectively.

Stephen Vaughan
Chair of the Remuneration Committee
21 July 2020

Directors' report

The Directors presents their annual report together with the audited financial statements for FY20.

Principal activity

The principal activity of the Group during the year was the supply of IT managed services. The Company is a holding company.

The Strategic Report on pages 4-37 contains a review of the business, future developments and the principal risks and uncertainties.

Dividends

An interim dividend of 0.83p per ordinary share was paid in January 2020. The Directors remain committed to a progressive dividend policy but given continued uncertainty resulting from the COVID-19 pandemic and the Restitution Scheme, the Directors will not be recommending the payment of a final dividend in respect of FY20 to shareholders.

Substantial shareholders

As at 31 March 2020 and 30 June 2020 (being the latest practicable date before the publication of this report) the Company had been notified of the following significant interests in 3% or more in its ordinary shares:

	31 March 2020 Number	31 March 2020 %	30 June 2020 Number	30 June 2020 %
Coltrane Asset Management LP	33,768,246	22.62	33,768,246	22.62
Mrs Maria Eugenie Radziwill	23,274,689	15.59	23,274,689	15.59
Kestrel Investment Partners	21,658,206	14.51	26,403,863	17.68
Mr Richard Griffiths	20,264,277	13.57	20,510,744	13.74
Slater Investments	8,728,656	5.85	8,728,656	5.85
Harwood Capital Mgt Group	7,935,000	5.31	7,935,000	5.31
Eugenia II Investment Holdings	4,748,967	3.18	-	-

As of 13 July 2020, the Company's issued share capital is 154,868,713 ordinary shares, pursuant to the admission of 5,558,000 new ordinary shares to trading as announced by the Company on 13 July 2020.

Directors and their interests

The following were Directors of the Company during the year and at the date of approval of these financial statements:

- Ian Johnson (appointed 16 October 2019)
- Peter Brotherton
- Dean Barber (appointed 2 September 2019, resigned 3 April 2020)
- David Senior (appointed 3 April 2020)
- Jon Kempster
- Stephen Vaughan
- Chris Cole (resigned 16 October 2019)
- Chris Rigg (resigned 31 December 2019)

Details of Directors' remuneration, service agreements and interests in the share capital of the Company are provided in the Directors' Remuneration Report on pages 49, 50 and 53. Details of the Directors' contracts, remuneration and share options granted are also set out in the Directors' Remuneration Report, on pages 50 to 53..

Directors' report (continued)

Relevant Directors will retire in accordance with the terms of the Articles of Association of the Company and, being eligible, will offer themselves for re-election at the forthcoming AGM.

Directors' indemnities and liability insurance

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout FY20 and is currently in force. The Company also purchased and maintained Directors' and Officers' liability insurance throughout the financial year in respect of itself and its Directors.

Employees

The Group's employment policies are designed to ensure that they meet the statutory, social and market practices where the Group operates. The Group systematically provides colleagues with information on matters of concern to them (including through Group-wide announcements and roadshows), consulting them or their representatives regularly (including through colleague forums, roadshows and the colleague survey), so that their views can be considered when making decisions that are likely to affect their interests. Colleague involvement in the Group is encouraged (including through employee share schemes), as achieving a common awareness on the part of all colleagues of the financial and economic factors affecting the Group plays a major role in maintaining its relationship with colleagues.

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all colleagues, irrespective of sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment for disabled persons, having regard to their aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If colleagues become disabled, the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

For further information on our colleagues see pages 34 to 37 of our Corporate Responsibility statement.

Going concern

The Group's activities and an outline of the developments taking place in relation to its services and marketplace are considered in the strategic report on pages 4 to 37. A commentary on the revenue, trading results and cash flows is provided in the financial review on pages 18 to 23.

Note 3 to the financial statements sets out the Group's financial risks.

The Group is forecast to be profitable and is cash generative with high and continuing levels of recurring revenue and high levels of cash conversion expected for the foreseeable future.

The Group has in place a total bank funding facility of £47.5m, comprising a revolving credit facility of £17.5m, an overdraft facility of £5.0m and a £5.0m asset financing facility. In addition, the Group has access to a £20.0m accordion facility. Subsequent to the year-end, these facilities were extended to 30 June 2022, with all terms and covenants remaining the same until this time. On 17 July 2020, certain amendments were made to the Group's facilities agreement with its lenders to allow for the impact of the Proposed Restitution Scheme.

The Directors have considered the going concern assumption and have undertaken careful enquiry and reviewed available financial information, including detailed projections of profitability and cash flows for the next two years. The Directors have also considered the impact of COVID-19 and have modelled a number of stressed scenarios to evaluate the potential future impact on the business. Under all scenarios the Group's resilient business model, high recurring revenues and strong balance sheet stand it in good stead to weather the pandemic. The Directors have concluded that no material uncertainty over going concern exists as, even under the most severe stress test, there is sufficient liquidity and no projected breach of banking covenants. It is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of the consolidated and Group financial statements.

Directors' report (continued)

Purchase of own shares

The authority to make purchases of the Company's shares on its behalf was given by resolution of the shareholders at the Company's 2019 AGM. Details of the share buybacks made during the year are provided in note 24 of the financial statements. The Board announced shortly after the end of FY20 that the programme would be temporarily halted until such time as the outlook around COVID-19 becomes more certain.

Annual General Meeting

The 2020 AGM will be held at Lifeline House, 80 Clifton Street, London EC2A 4HB at midday on 16 September 2020, although due to the COVID-19 pandemic, shareholders will regrettably not be able to attend the AGM. The notice convening the AGM to be held on 16 September 2020, together with arrangements made for the AGM due to the COVID-19 pandemic and what shareholders should do to vote by proxy, are contained in a separate circular to shareholders and on the Group's website at www.redcentricplc.com/investors/shareholder-documents/.

Corporate governance

The Group's statement on corporate governance can be found in the Corporate Governance section of this Annual Report and Accounts and which forms part of this Directors' Report and is incorporated by reference.

The Group's financial risk management objectives and policies are described in note 3 to the financial statements.

Disclosure of information to the auditor

The Directors of the Company at the date of approval of these financial statements confirm, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. The Directors have individually confirmed that they have taken all reasonable steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Subsequent events

Following the end of FY20, the Group's existing bank facilities were extended to 30 June 2022, with all terms and covenants remaining the same until this date. On 17 July 2020 certain amendments were made to the Group's facilities agreement to allow for the impact of the Restitution Scheme.

The Company announced on 26 June 2020 that is has reached a settlement with the FCA in connection with the FCA Investigation. The FCA confirmed that the Company will not be subject to a financial penalty but, as part of the settlement, the Company agreed to implement the Restitution Scheme under which it will pay restitution amounting up to approximately £11.4m to net purchasers of ordinary shares in the Company between 9 November 2015 and 7 November 2016. The Restitution Scheme will be funded partly by the Group's own cash resources and partly through the placing and subscription of ordinary shares, amounting to £5.775m at a price of 110p per ordinary share, which were completed on 14 July 2020 following the general meeting of the Company held on 13 July 2020.

There have been no other significant events between the balance sheet date and the date of approval of these accounts.

By order of the Board

Harn Jagpal
Company Secretary
21 July 2020

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. As required by the AIM Rules for Companies issued by the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

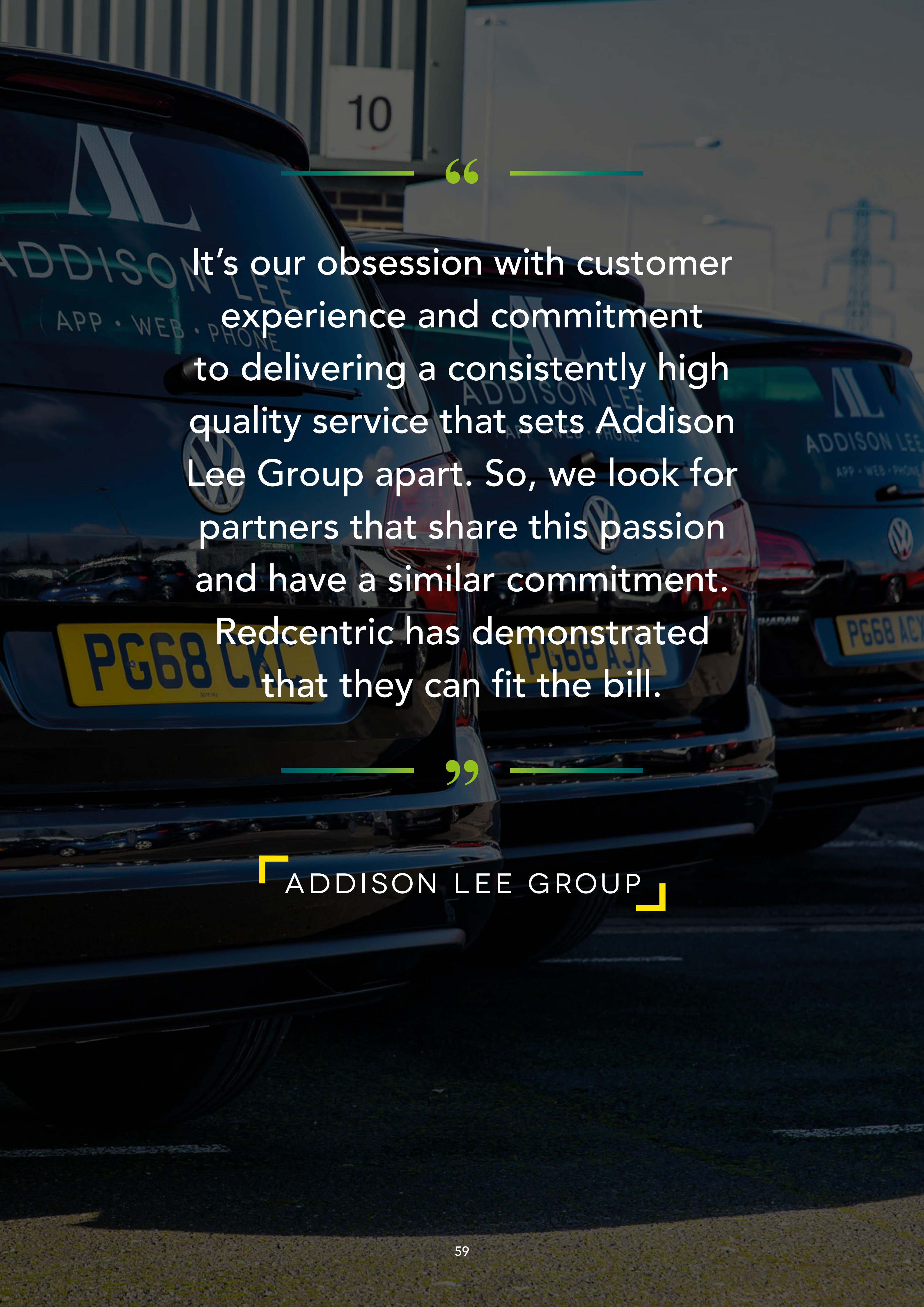
Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group'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

HJagpal

Harn Jagpal
Company Secretary
21 July 2020



> It’s our obsession with customer experience and commitment to delivering a consistently high quality service that sets Addison Lee Group apart. So, we look for partners that share this passion and have a similar commitment. Redcentric has demonstrated that they can fit the bill.

ADDISON LEE GROUP

Independent auditor's report

to the members of Redcentric plc

1.Our opinion is unmodified

We have audited the financial statements of Redcentric plc ("the Company") for the year ended 31 March 2020 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Cash Flow, Company Balance Sheet, Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview	
Materiality: group financial statements as a whole	£518,000 (2019:£524,000) 0.60% (2019:0.56%) of Group revenue
Coverage	99% (2019:98%) of total profits and losses that make up Group loss before tax

Key audit matters		vs 2019
Event driven	**New:** Outcome of FCA Investigation (Group and Parent Company)	▲
Recurring risks	Going concern	◀▶
	Provision for credit notes	◀▶
	The impact of uncertainties due to the UK exiting the European Union on our audit	◀▶

Independent auditor's report

to the members of Redcentric plc (continued)

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Outcome of FCA Investigation *(restitution provision £11.4 million)* Refer to page 48 (Audit Committee Report), page 82 (accounting policy) and note 4 on page 110 (financial disclosures).	**Accounting judgement and subjective valuation:** In March 2017 the Financial Conduct Authority ('FCA') notified the Company that it had commenced an investigation following the historic overstatement of net assets and profits as described in the Company's announcements on 7 November 2016, 13 and 23 December 2016. On 26 June 2020, the FCA issued a final notice which constitutes a public censure. The FCA final notice found that Redcentric plc committed market abuse, but determined that it would not be appropriate to issue a penalty on the basis that the company has implemented a scheme to provide compensation to those purchasers of the company's shares who suffered losses as a result of the market abuse (the 'Restitution Scheme' as described in note 2). Judgement is required in assessing the nature and timing of amounts recognised and disclosure requirements in relation to the Restitution Scheme. Significant estimates, including the number of relevant net share purchases in the relevant period and proportion of shares vs cash compensation, are made in valuing the provision. Furthermore, the effect of these matters is that, as part of our risk assessment, we determined that any amounts recognised in providing for the cost of the Restitution Scheme has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 2) disclose the sensitivity estimated by the Group.	Our procedures included: • **Review of documentation:** Inspected Board and Audit Committee meeting minutes and correspondence with the company's legal advisors and with the FCA to understand the status of the investigation and to identify the timeline of events leading to the issuance of the FCA final notice and the Restitution Scheme; • **Personnel interview:** Held meetings with management, those charged with governance and the company's legal advisors to further understand the status of the investigation and to identify the timeline of events leading to the issuance of the FCA final notice and the Proposed Restitution Scheme; • **Benchmarking assumptions:** Evaluated and compared the Group's and company's assumptions to externally derived data in relation to key inputs such as the quantum of net purchasers of the company's shares who suffered losses as a result of the market abuse, the proportion of compensation to be paid in cash or shares and the expected costs of administering the scheme; • **Sensitivity analysis:** Assessed the sensitivity of the provision to changes in assumptions such as the quantum of relevant net purchases of shares and the proportion of compensation to be paid in cash or shares; • **Assessing transparency:** Assessed the adequacy of the Company's disclosure of the progress and conclusion of the FCA Investigation.

Independent auditor's report

to the members of Redcentric plc (continued)

	The risk	Our response
Going concern Refer to pages 74-75 (accounting policy).	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group. That judgement is based on an evaluation of the inherent risks to the Group's business model and how those risks might affect the Group's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's available financial resources over this period were: • The level of external financing facilities and the ability of the Group to operate within the liquidity and covenant parameters within these financing facilities • The impact of a depression in demand and the risk of credit losses arising from customers facing disruption as a result of COVID-19. There are also less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	**Our procedures included:** • **Funding assessment:** Assessed the committed level of financing available to the Group and forecast covenant headroom for at least the next 12 months through consideration of the facility agreement. We critically assessed the Directors' forecasts, specifically surrounding the Group's ability to meet covenants in place. We assessed the level of funding available to the Group taking into account cash resources at the balance sheet date and the impact of post balance sheet events such as performance to date, the bank facility extension completed in June 2020; the share placing completed on 13 July 2020 and the estimated cash payments required in respect of the Restitution Scheme announced on 26 June 2020; • **Historical comparisons:** Analysed the Directors' previous projections against actual outcomes to assess historical forecasting accuracy and assist our challenge of the 2020/21 forecasts prepared by the Directors; • **Key dependency assessment:** Identified the critical factors in determining whether there is a risk of business failure based on our detailed knowledge of the business and specific risk assessments for the impact of COVID-19 and Brexit, taking input from the Directors where appropriate; • **Sensitivity analysis:** Considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively, including the modelling of a period of COVID-19 related disruption through to March 2021, after which point the forecast models a gradual recovery; • **Evaluating directors' intent:** Evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We considered the impact of specific mitigations such as reductions in operating expenditure; • **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern disclosure by evaluating the reasonableness of risks and uncertainties specified by the disclosure against our findings from our evaluation of management's assessment of going concern.

Independent auditor's report

to the members of Redcentric plc (continued)

	The risk	Our response
Provision for credit notes (Provision: £1.2 million; 2019: £1.5 million) Refer to page 83 (accounting policy) and note 19 on pages 98-99 (financial disclosures).	**Processing error** The Group sells to a large customer base. The Group has a history of issuing invoices for the incorrect products or/and amounts and hence has been issuing material levels of credit notes to correct these. At the period end, the Group corrects for the issue of incorrect invoicing by recording a credit note provision against revenue and trade receivables. The credit note provision is based on the value of credit notes that the Group expects to subsequently issue to correct for the estimated unresolved invoicing issues to date. Management generates the credit note provision by assessing historic levels of credit notes raised against the related invoices amounts, taking into account consideration changes in the current period. There is a risk that the credit note provision recorded by the Group to correct for the inaccurate invoicing may be materially understated resulting in revenue and trade receivables being misstated.	**Our procedures included:** • **Test of detail:** Assessed the basis and calculation of the credit note provision against our knowledge of the business and our understanding and evaluation of the invoicing process; • **Historical comparisons:** Evaluated the level of credits notes raised against total revenue to assess the appropriateness of the applied rate of credit notes to total revenues in the year • **Test of detail:** Assessed the level of post year-end credit notes, to determine the extent to which the provision is utilised post year end and the adequacy of the year-end provision.

Independent auditor’s report

to the members of Redcentric plc (continued)

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 11 (Chief Executive’s review).	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in the appropriateness of the going concern basis of preparation of the financial statements (see above). All of these depend on assessments of the future economic environment and the Group’s future prospects and performance. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the directors’ assessment of Brexit-related sources of risk for the Group’s business and financial resources compared with our own understanding of the risks. We considered the directors’ plans to take action to mitigate the risks; • **Sensitivity analysis:** When addressing going concern,and other areas that depend on forecasts, we compared the directors’ analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on going concern we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £518,000 (2019:£524,000) determined with reference to a benchmark of total revenues of £87.5million (2019:£93.3million) (of which it represents 0.6% (2019:0.56%)). We consider total revenues to be the most appropriate benchmark as it provides a more stable measure year on year than Group loss before tax.

Materiality for the parent company financial statements as a whole was set at £517,000 (2019: £523,000), determined with reference to a benchmark of total assets, of which it represents 0.5% (2019:0.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £25,900 (2019:£26,200), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group’s 3 (2019:3) reporting components, we subjected 2 (2019:2) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

For the residual 1 component, we performed analysis at an aggregated Group level to re-examine of our assessment that there were no significant risks of material misstatement within these.

The work on all 3 (2019:3) components was performed by the Group team.

The component materialities were £492,100 to £517,000 (2019 ranged from £422,000 to £523,000), having regarded the mix of size and risk profile of the Group across the components.

Independent auditor's report

to the members of Redcentric plc (continued)

Total revenues

£87.5m (2019: £93.3m)

Group materiality

£518,000 (2019: £524,000)

Total revenues

Group materiality

£518,000

Whole financial statements materiality
(2019: £524,000)

£517,000

Range of materiality at 3 components
£492,100 to £517,000
(2019: £422,000 to £523,000)

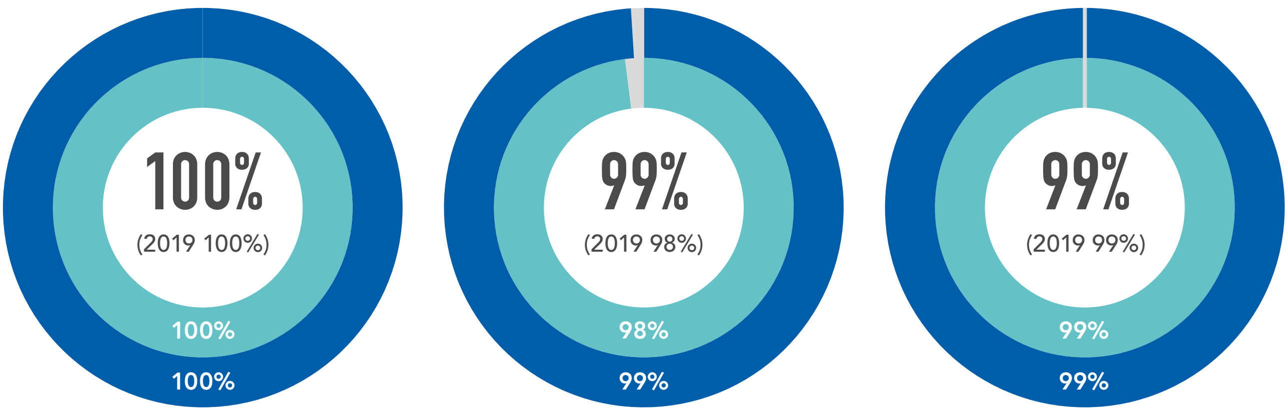
£25,900

Misstatements reported to the audit committee
(2019: £26,200)

Group revenue

Total losses and profits that make up loss before tax

Group total assets



Full scope for Group audit purposes 2020
Full scope for Group audit purposes 2019
Specified risk-focused audit procedures 2019
Residual components

Independent auditor's report

to the members of Redcentric plc (continued)

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent auditor's report

to the members of Redcentric plc (continued)

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 58, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

8. The purpose of our audit work and to whom we owe our responsibilities

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

Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
21 July 2020

"Our partnership with Redcentric has been pivotal to transforming our whole telephony approach, with class-leading technology and best practice guidance helping us to set a new standard in efficient call handling, increasing both patient satisfaction and staff morale."

NHS
Sandwell and
West Birmingham
Clinical Commissioning Group

Consolidated statement of comprehensive income

for the year ended 31 March 2020

	Note	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Revenue	6	**87,485**	93,260
Cost of sales		**(32,297)**	(36,895)
Gross Profit		**55,188**	56,365
Operating expenditure		**(63,925)**	(56,650)
Adjusted EBITDA[1]		**20,604**	16,714
Depreciation	16	**(8,814)**	(7,330)
Amortisation of intangibles	15	**(7,449)**	(7,392)
Exceptional items	9	**(12,516)**	(1,911)
Share-based payments	25	**(562)**	(366)
Operating loss		**(8,737)**	(285)
Finance income	10	**5**	13
Finance costs	10	**(1,881)**	(1,091)
Loss on ordinary activities before taxation		**(10,613)**	(1,363)
Income tax credit / (expense)	12	**13**	(604)
Loss for the period attributable to owners of the parent		**(10,600)**	(1,967)
Other comprehensive income			
Items that may be classified to profit or loss:			
Currency translation differences		**13**	8
Total comprehensive loss for the period		**(10,587)**	(1,959)
Earnings per share			
Basic loss per share	13	**(7.14)p**	(1.32)p
Diluted loss per share	13	**(7.14)p**	(1.32)p

The notes on pages 74 to 106 are an integral part of these consolidated financial statements.

[1] For an explanation of the alternative performance measures used in this report, please refer to page 25.

Consolidated statement of financial position

as at 31 March 2020

	Note	31 March 2020 £000	31 March 2019 £000
Non-Current Assets			
Intangible assets	15	**68,867**	75,802
Tangible assets	16	**38,467**	18,133
Deferred tax asset	17	**1,482**	142
		108,816	94,077
Current Assets			
Inventories		**891**	357
Trade and other receivables	18	**23,261**	21,907
Corporation tax receivable		**346**	196
Cash and short-term deposits		**3,710**	7,206
		28,208	29,666
Total assets		**137,024**	123,743
Current Liabilities			
Trade and other payables	20	**(24,311)**	(22,297)
Borrowings	21	**(16,126)**	(3,056)
Provisions	23	**(12,122)**	(149)
		(52,559)	(25,502)
Non-current liabilities			
Borrowings	21	**(22,133)**	(21,715)
Provisions	23	**(2,531)**	(881)
		(24,664)	(22,596)
Total liabilities		**(77,223)**	(48,098)
Net assets		**59,801**	75,645
Equity			
Called up share capital	24	**149**	149
Share premium account	24	**65,734**	65,588
Capital redemption reserve		**(9,454)**	(9,454)
Own shares held in treasury	24	**(724)**	-
Retained earnings		**4,096**	19,362
Total Equity		**59,801**	75,645

The notes on pages 74 to 106 are an integral part of these consolidated financial statements.

The financial statements of Redcentric Plc (Registration Number 08397584) on pages 69 to 72 were approved by the Board on 21 July 2020 and are signed on its behalf by:

David Senior
Chief Financial Officer

Consolidated cash flow statement

for the year ended 31 March 2020

	Note	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Loss before taxation		**(10,613)**	(1,363)
Net finance costs	10	**1,876**	1,078
Operating loss		**(8,737)**	(285)
Adjustment for non-cash items			
Depreciation and amortisation	15,16	**16,263**	14,722
Exceptional items	9	**12,516**	1,911
Share-based payments		**562**	366
Operating cash flow before exceptional items and movements in working capital		**20,604**	16,714
Loss on sale of fixed asset	16	**-**	(42)
Cash costs of exceptional items		**(817)**	(1,668)
Operating cash flow before changes in working capital		**19,787**	15,004
Changes in working capital			
(Increase) / Decrease in inventories		**(534)**	309
(Increase) / Decrease in trade and other receivables		**(1,779)**	5,775
Increase / (Decrease) in trade and other payables		**1,343**	(1,467)
Cash generated from operations		**18,817**	19,621
Tax paid		**(660)**	(1,873)
Net cash generated from operating activities		**18,157**	17,748
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	16	**-**	665
Purchase of property, plant and equipment	16	**(3,943)**	(4,665)
Purchase of intangible fixed assets	15	**(290)**	(564)
Net cash used in investing activities		**(4,233)**	(4,564)
Cash flows from financing activities			
Dividends paid		**(2,731)**	(597)
Share buy-back		**(724)**	-
Interest paid		**(1,825)**	(1,044)
Repayment of leases		**(5,127)**	(1,918)
Repayment of borrowings		**(7,000)**	(8,500)
Net cash used in financing activities		**(17,407)**	(12,059)
Net (decrease)/increase in cash and cash equivalents		**(3,483)**	1,125
Cash and cash equivalents at beginning of period		**7,206**	6,089
Effect of exchange rates		**(13)**	(8)
Cash and cash equivalents at end of the period		**3,710**	7,206

The notes on pages 74 to 106 are an integral part of these consolidated financial statements.

[1] For an explanation of the alternative performance measures used in this report, please refer to page 25.

Consolidated statement of changes in equity

for the year ended 31 March 2020

	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Own Shares Held in Treasury £000	Retained Earnings £000	Total Equity £000
Balance at 1 April 2018	149	65,588	(9,454)	-	21,565	77,848
Loss for the period	-	-	-	-	(1,967)	(1,967)
Transactions with owners						
Share-based payments	-	-	-	-	353	353
Dividends paid (note 14)	-	-	-	-	(597)	(597)
Other comprehensive income						
Currency translation differences	-	-	-	-	8	8
At 31 March 2019	149	65,588	(9,454)	-	19,362	75,645
Adjustment on initial application of IFRS 16	-	-	-	-	(2,260)	(2,260)
Adjusted as at 31 March 2019	149	65,588	(9,454)	-	17,102	73,385
Loss for the period	-	-	-	-	(10,600)	(10,600)
Transactions with owners						
Share-based payments	-	-	-	-	484	484
Share buyback	-	-	-	(724)	-	(724)
Issue of new shares	-	146	-	-	(146)	-
Dividends paid (note 14)	-	-	-	-	(2,731)	(2,731)
Other comprehensive income						
Currency translation differences	-	-	-	-	(13)	(13)
At 31 March 2020	**149**	**65,734**	**(9,454)**	**(724)**	**4,096**	**59,801**

The notes on pages 74 to 106 are an integral part of these consolidated financial statements.

> Transforming our WAN environment has given us the security, availability and quality we need at the heart of our business to support our future ambitions. We can now push on with getting into the vanguard of innovation.

Notes to the consolidated financial statements

for the year ended 31 March 2020

1 Summary of significant accounting policies

Redcentric plc is a public limited company incorporated and domiciled in England and Wales, whose shares are publicly traded on the AIM division of the London Stock Exchange. Redcentric plc was incorporated on 11 February 2013 and admitted to AIM on 24 April 2013.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all periods covered.

1.1 Basis of preparation

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

The Group made a statutory loss before tax of £10.6m in the year to 31 March 2020 (2019: loss of £2.0m) and had net current liabilities of £24.4m at 31 March 2020 (2019: net current assets of £4.1m). Whilst the Group made a loss in the current financial year due to an £11.4m provision being recorded in relation to the Restitution Scheme (see note 23). The Group is ordinarily profitable and has continued to be cash generative. Net current liabilities at 31 March 2020 includes £9.7m (2019: £9.1m) of contract liabilities, which does not represent expected cash outflows. Excluding this, the Group has net current liabilities of £14.7m (2019: net current assets of £13.2m). Net current liabilities at 31 March 2020 also includes a provision of £11.4m in respect of the Restitution Scheme. Of the £11.4m provision, £5.8m will be funded by the share placing which took place on 13 July 2020 (see note 30) and it is estimated that a further £1m will be funded by the issuing of shares, rather than cash, to claimants, leaving estimated net cash payments to be made of £4.6m. Furthermore, net current liabilities at 31 March 2020 includes bank loans of £12.5m. Subsequent to the year end the bank facility was extended to 30 June 2022 (see below).

As at 31 March 2020, the Group had committed revolving credit facilities of £17.5m (2019: £25m) and an overdraft facility of £5.0m (2019: £5.0m), of which £12.5m (2018: £19.5m) of the revolving credit facility and £nil (2019: £Nil) of the overdraft was drawn. During the year, the continuing strength of operating cash flows enabled the Group to cancel £7.5m of unutilised revolving credit facility. As at 31 March 2020, these facilities were due to expire on 30 November 2020. Subsequent to the year end, on 8 June 2020 these facilities were extended such that any remaining drawn facility becomes repayable on 30 June 2022, with all terms and covenants remaining the same until this time.

On 17 July 2020 certain amendments were made to the Facilities Agreement to allow for the impact of the Restitution Scheme.

The Group's business activities and markets in which it operates are set out in the Strategic Report. The sectors in which the Group is particularly well represented are diverse and a high proportion of the Group's revenue is recurring in nature, which provides good visibility and resilience of future revenue and cash flows.

The Directors have prepared forecasts covering the period to 31 March 2022, built from the detailed Board approved budget for the year ending 31 March 2021. The forecasts include a number of assumptions in relation to order intake, renewal and churn rates and EBITDA margin improvements.

Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment presents a number of challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to, achieving forecast levels of order intake, the impact on customer confidence as a result of general economic conditions and Brexit and achieving forecast margin improvements. 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 outbreak has been separately considered as part of the directors' consideration of the going concern basis of preparation. Thus far, the Group has not observed any material impact in trading performance due to COVID-19. However, due to the uncertainty over the duration and extent of the impact of COVID-19, the Directors have modelled a severe but plausible downside scenario when preparing the forecasts, where the impact of COVID-19 is forecast to continue until March 2021, after which point the impact will begin to reduce. Over this period, recurring monthly order intake is forecast to reduce by 85% compared to 2020, product and services revenues reduce by almost 50% compared to 2020 and customer loss through insolvency increases (particularly in the retail, hospitality and leisure sectors). Certain limited mitigating actions are forecast to be implemented to control discretionary cost spend in areas such as travel, entertaining and marketing. It is difficult to predict the overall outcome and impact of COVID-19 and the duration of disruption could be longer than anticipated, but under the downside scenario modelled and in the case that recovery is more gradual than expected, the forecasts demonstrate that Group is expected to maintain sufficient

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

liquidity and remain in compliance with covenants throughout the period under review whilst still maintaining adequate headroom against overall facilities, including full repayment of the rolling credit facility by 30 June 2022. The directors therefore remain confident that the Group has adequate resources to continue to meet its liabilities as and when they fall due within the period of 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

1.2 Changes In accounting policy and disclosure

a) New and amended standards adopted by the Group

Accounting standards, amendments or interpretations effective for the first time in the year ended 31 March 2020 which have a material impact on the Group's financial statements are detailed below.

IFRS 16 Leases

IFRS 16 has introduced a single on-balance sheet accounting model for lessees. The Group has adopted the modified retrospective approach, electing to apply the practical expedient to use hindsight when determining the lease term. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets, and lease liabilities representing its obligation to make lease payments, for virtually all lease contracts. The table below summarises the impact on transition, the Group recognising an adjustment of £2.3m to opening retained earnings:

	1 April 2019 £000
Right-of-use assets	20,771
Deferred tax asset	530
Trade and other receivables (deferred lease incentives derecognised)	(548)
Current lease liabilities	(1,967)
Non-current lease liabilities	(21,046)
Retained earnings	**(2,260)**

In relation to those leases brought on balance sheet under IFRS 16, the Group now recognises depreciation and interest costs, instead of an operating lease expense. During the year ended 31 March 2020, this amounted to £2.1m of depreciation charges and £1.2m of interest costs from these leases. Expenses relating to leases of low-value assets and short-term leases for which no right of use asset or lease liability has been recognised were immaterial.

The impact of IFRS 16 on the consolidated income statement, consolidated statement of financial position, and consolidated cash flow statement for the year ended 31 March 2020 is set out in an appendix to these financial statements.

At transition, the Group elected to apply the practical expedient to grandfather the assessment of which contracts were leases. For leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at an incremental borrowing rate which reflects the characteristics of the underlying lease, at 1 April 2019. The weighted average incremental borrowing rate applied is 5.1%.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted by an appropriate rate. The Group has applied this methodology to the majority of its property leases where the required historical information is available; or
- an amount equal to the lease liability, adjusted for prepaid / accrued lease payments. This method has been applied to the small number of non-property leases.

The Group has applied the following practical expedients on transition:

- leases for underlying assets that have a low value (less than £5,000) or where the remaining lease term on transition was less than 12 months have been excluded; and
- a single discount rate applied to its small portfolio of car leases; and
- right of use assets were adjusted by the amount of IAS37 onerous contract provision recorded immediately before the date of initial application as an alternative to an impairment review.

The table below reconciles the Company's operating lease commitment at 31 March 2019, under IAS 17, to the lease liability now being recognised under IFRS 16.

	1 April 2019 £000
Operating lease commitment at 31 March 2019 as disclosed in the Company's consolidated financial statements	32,665
Discounted using the incremental borrowing rate at 1 April 2019	23,047
Recognition exemption for leases of low value assets	(31)
Recognition exemption for leases with less than twelve months of lease term at transition	(3)
New lease liabilities recognised at 1 April 2019	**23,013**
Existing lease liabilities	4,976
Lease liabilities recognised as at 1 April 2019	**27,989**

b) Adopted IFRS not yet applied

There are no new standards, amendments to existing standards or interpretations that are not yet effective that are expected to have a material impact on the Group. Such developments are routinely reviewed by the Group and its financial reporting systems are adapted as appropriate.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

1.3 Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 March 2020.

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the separable identifiable net assets acquired and liabilities incurred or assumed at the acquisition date is recorded as purchased goodwill. Provision is made for any impairment. Accounting policies previously applied by acquired subsidiaries are changed as necessary to comply with accounting policies adopted by the Group.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated on consolidation.

1.4 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 main Board. The Board believes that the Group continues to comprise a single reporting segment, being the provision of managed services to customers.

1.5 Revenue recognition

IFRS 15 'Revenue from contracts with customers' was effective for periods beginning on or after 1st January 2018. The Company adopted IFRS 15, 'Revenue from Contracts with Customers', for the year ending 31 March 2019. This establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

The standard requires revenue earned from contracts to be recognised in line with performance obligations based on a five-step model.

On inception of the contract we identify a "performance obligation" for each of the distinct goods or services we have promised to provide to the customer. The following table summarises the performance obligations we have identified for our major revenue lines and provides information on the time of when they are satisfies and the related revenue recognition policy.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

Revenue Line	Performance Obligation	Revenue recognition policy
Recurring Revenue	Provision of managed services to the customer. All of the revenue in this category is contracted and includes a full range of managed support, maintenance, subscription, and service agreements. Performance obligations are identified for each distinct service for which the customer has contracted and are considered to be satisfied over the time period that these services are delivered.	Revenue for these types of services is recognised evenly over the period of the agreement as the services are provided.
Product Revenue	Provision of third-party hardware (e.g. phone handsets, routers) to the customer as a one-off, distinct sale. Performance obligations are satisfied at the point in time that control passes to the customer.	Revenue for product sales is recognised in full in the income statement upon delivery to the customer. Amongst other factors the Group has pricing and fulfilment risk and as such is considered to be principal in these transactions.
Services Revenue	Provision of professional services, consultancy, and engineering services in order to setup and install a customer managed service. Installation is typically intrinsically linked to the provision of the managed services (in recurring revenue above). These services do not represent separate performance obligations and are therefore combined with the associated service performance obligation. The Group also provides certain services that are non-complex and distinct from the provision of the underlying managed service contract. The completion of these services is a separate performance obligation.	Services revenue is recognised from the date of installation of a managed service and recognised evenly over the period of the agreement. For distinct separable services revenue is recognised at the point of completion.

There are no material obligations in respect of returns, refunds or warranties.

The Group recognises revenue based on the stand-alone selling price of each performance obligation. Determining the selling price is typically driven by list prices.

Payments received in advance are recognised as contract liabilities and amounts billed in arrears are contract assets. Revenue expected to be recognised in future periods for performance obligations that are not complete (or partially complete) as at 31 March 2020 is £140m. Of this, £133m relates to revenue for recurring managed services. In comparison, revenue expected to be recognised in future periods for performance obligations that were not complete (or partially complete) as at 31 March 2019 was £139m. Of this, £120m related to revenue for recurring managed services.

Incremental revenues are generated based on usage for calls and data. The entity has a right to consideration from the customer at an amount that corresponds directly with the value to the customer of the entity's performance completed to date, therefore the entity recognises the revenue to the extent to which it has a right to invoice.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

1.6 Exceptional items

Exceptional items are items of income and expense which are material and, due to their nature or size, are presented separately on the face of the income statement in order to provide a better understanding of the Group's underlying financial performance. Exceptional items are excluded from the Group's alternative performance measures (APMs), as defined on page 25, and are disclosed in detail in note 9.

1.7 Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date at which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model for which the assumptions are approved by the Directors. In valuing equity-settled transactions, only vesting conditions linked to the market price of the shares of the Company are considered.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting described above. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the existing charge is recognised immediately. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The Group does not operate any cash settled share-based payment schemes.

1.8 Taxation

The taxation expense charged in the Group statement of comprehensive income represents the sum of the current tax expense and the deferred tax expense.

The current tax payable is based on the taxable profit for the year. Taxable profit differs from accounting profit as reported in the Group statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group liability for current tax is measured using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is provided for on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences carried forward tax credits or tax losses can be utilised.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

1.9 Foreign currencies

The functional and presentation currency of Redcentric plc is Pounds Sterling (£) and the Group conducts the majority of its business in Sterling.

Transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, except for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the profit or loss.

1.10 Pensions

The Group operates a defined contribution scheme. Pension costs are charged directly to the income statement in the period to which they relate on an accrual's basis. The Group has no further payment obligations once contributions have been paid.

1.11 Intangible assets

a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net asset of the subsidiary, in the case of a bargain purchase, the difference is recognised directly to the income statement.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal.

Any impairment is recognised immediately as an expense and is not subsequently reversed.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date any goodwill acquired is allocated to each of the cash generating units expected to benefit from the business combination's synergies. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, including goodwill, an impairment loss is recognised.

b) Other intangible assets

Other intangible assets are carried at cost less accumulated amortisation and impairment losses.

Other intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Intangible assets with a finite life are amortised on a straight-line basis over their expected useful lives, as follows:

Customer contracts and related relationships – 5–15 years

Trademarks – 5 years

Software Licences – 5 years (or over the contract term if shorter)

Impairment and amortisation charges are included within operating expenditure in the income statement.

c) Internally generated intangibles

Expenditure on software development is capitalised as an intangible asset only if it meets the recognition criteria set out in IAS 38 Intangible Assets, requiring it to be probable that the expenditure will generate future economic benefits and can be measured reliably. To meet these criteria, it is necessary to be able to demonstrate, among other things, the technical feasibility of completing the intangible asset so that it will be available for use or sale.

Development expenditure directed towards incremental improvements in existing products, remedial work and other maintenance activity does not qualify for recognition as an intangible asset.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

1.12 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost includes the original price of the asset and the cost attributable to bringing the asset to its current working condition for its intended use.

Depreciation, down to residual value, is calculated on a straight-line basis over the estimated useful life of the asset which is reviewed on an annual basis.

Office fixtures and fittings – 4-5 years

Leasehold improvements – 15 years

Vehicles and Computer Equipment – 3-5 years (or over the contract term if shorter)

For property, plant and equipment funded through leases, where there is reasonable certainty that the Group obtains ownership by the end of the lease term, depreciation is provided on a straight line basis over the useful life, otherwise it's provided over the shorter of the useful life and the lease term.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is de-recognised.

1.13 Impairment of property, plant and equipment and intangible assets excluding goodwill

Other intangible assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying amounts exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of intangible assets and property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined by the cash generating unit to which the asset belongs. Fair value less costs to sell is, where known, based on actual sales price net of costs incurred in completing the disposal.

Non-financial assets that were impaired in the previous periods are annually reviewed to assess whether the impairment is still relevant.

1.14 Leases

When entering into a new contract, the Group assesses whether it is, or contains, a lease. A lease conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability. Depreciation is provided on a straight-line basis over the life of the lease, or the useful economic life if that is shorter.

Obligations to restore the underlying asset to the condition required by the terms and conditions of the lease are recognised and measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and included in the related right-of-use asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the interest rate implicit in the lease or, more typically, the Group's incremental borrowing rate (when the implicit rate cannot be readily determined).

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or changes in the Group's assessment of whether a purchase, extension or termination option is reasonably certain to be exercised.

The Group adopts recognition exemptions for short-term (less than 12 months) and low value leases. The Group classifies payments of lease liabilities (principal and interest portions) as part of financing activities. Payments of short-term, low value and variable lease components are classified within operating activities.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

1.15 Financial instruments

a) Financial assets

The Group classifies its financial assets as loans and receivables measured at amortised cost.

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents', and 'other receivables' which are expected to be settled in cash.

Trade receivables

Trade receivables are amounts due from customers for goods sold and services provided in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

In recognising any provision for impairment, the Group applies the IFRS 9 approach to measuring expected credit losses which uses a lifetime expected loss allowance for all assets held at amortised cost. The Company recognises a loss allowance for all expected credit losses on initial recognition of trade receivables.

The Group's trade and other receivables are non-interest bearing.

Cash and cash equivalents

Cash and cash equivalents on the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

b) Financial liabilities

Trade payables

Trade payables are stated at their nominal value, recognised initially at fair value and subsequently valued at amortised cost.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised in the finance cost line in the income statement.

Loans are carried at fair value of initial recognition, net of unamortised issue costs of debt. These costs are amortised over the loan term.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

The Group has adopted IFRS 16 for the first time in these financial statements, with £23.5m of IFRS 16 lease liabilities, principally property leases, recognised at 31 March 2020. Of these, £21.0m were previously classified as operating leases under IAS17. Judgement has been applied in determining whether a contract contains a lease and the anticipated tenure length on these leases (whether or not break clauses will be exercised has been determined based on our historical experience and expectations for future trading and capacity requirements). Estimations have been made with regard to discount rates applied, in determining appropriate bonds, property asset premiums and in applying the portfolio expedient to enable the same discount rate to be applied across cars and other non-property leases.

Credit note provisioning remains a key source of estimation uncertainty that could result in a material change to the revenue recognised. The group has a large customer base and historically a material number of credit notes have been raised by the group due to issues in the accuracy of invoicing to customers. A credit note provision is estimated at the period end to account for revenue which has been recognised in the year, but for which a credit note will subsequently be raised post year end. The provision has been calculated based on empirical analysis of credit notes issued against revenue recognised over a period of two years with adjustments made based on management's knowledge of specific items in the customer base. The provision recognised at 31 March 2020 is £1.2m (31 March 2019: £1.5m). During the year £1.6m of new provision has been created and £1.9m utilised through actual credit notes raised.

A deferred tax asset of £2.4m (31 March 2019: £2.8m) is recognised in relation to tax losses from historic acquisitions. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Recognition, therefore, involves estimates regarding the prudent forecasting of future taxable profits of the business and in applying an appropriate risk adjustment factor. Whilst the Group made a statutory loss before tax of £10.6m in the year to 31 March 2020 due to an £11.4m provision being recorded in relation to the Restitution Scheme (see note 23) the Group is ordinarily profitable.

During the period, the Company recorded a provision of £11.4m in relation to the Restitution Scheme. At 31 March 2020 the value of the provision was calculated using the latest estimates available in relation to potential claims likely to be made under the scheme.

The following outlines the key elements of estimation uncertainty within the provision:

Basis for calculation of the provision

The basic entitlement (as set in the Scheme Circular) is:

- 14.30p per share for claims settled in shares (calculated as a fixed 0.13 of a share for every net share purchase at 110p).
- 2.66p per share in cash
- 14.30p + 2.66p = 16.96p per net share purchase x 62,500,000 net share purchases (see below) = £10,625,000, plus costs of £805,000 = £11,430,000

There are four main sources of estimation uncertainty:

a) The number of net share purchases in the relevant period

b) The value attributed to the compensation paid, to the extent settled in shares

c) The split of claims between cash and shares

d) The number of claims received

a) The number of net share purchases in the relevant period:

- Net share purchases are estimated at 62,500,000, based on share register records and trading throughout the relevant period. Adjustments have been estimated in respect of institutional shareholder entities who had multiple funds which were aggregated in to one line.

b) Value attributed to the compensation paid per eligible net share purchase:

I. Instead of the basic entitlement, a potential claimant may elect to receive one of the following:

- If a claimant opts to receive compensation entirely in cash, 16.96p is paid for each net share purchase in the relevant period.
- If a claimant opts to receive compensation entirely for shares, 0.154 of an ordinary share per each net share purchase in the relevant period is issued to the claimant (representing 16.96p).
- If a claimant opts to receive compensation 50% in cash and 50% in shares, 8.48p cash is paid and 0.077 of an ordinary share is issued for each net share purchase in the relevant period.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

II. The value attributed to the compensation paid to a claimant involves estimation only to the extent that a claimant opts for shares and the fair value of the shares issued differs from 110p.

c) The split between cash and shares

Estimates have been based on discussions with major shareholders and certain former shareholders likely to be potential claimants. Such discussions indicate that existing shareholders will opt for the payment of compensation in shares and former shareholders are more likely to opt for payment of compensation in cash.

d) The number of claims received

The provision has been based on 100% of potential claimants actually submitting a claim. However, it is not clear at this stage whether this will be the case.

3 Financial risk management

The objectives of the Group's treasury activities are to manage financial risk, secure cost-effective funding where necessary and minimise adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on cash flows of the Group.

The Group's principal financial instruments for fundraising are bank borrowings, overdraft facilities and loans. The Group has various other financial instruments such as cash, trade receivables and trade payables that arise directly from its operations.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange, cash flow interest rate risk, and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out centrally under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering each specific risk area.

a) Foreign exchange risk

The Group mainly operates within the UK with foreign exchange risk arising from certain transactions with counterparties denominated in foreign currencies. This is not a significant risk for the Group.

b) Cash flow interest rate risk

The Group receives interest on cash and cash equivalents and pays interest on its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. During the year ended 31 March 2020 the Group's borrowings at variable rate were denominated in Pounds Sterling with interest linked to Sterling interest rates.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift and manages its cash flow interest rate risk accordingly.

Based on the simulations performed, the impact on post-tax profit and equity of a +/– 1% shift in the interest rate would not be material. The simulation is done on a quarterly basis to verify that the maximum loss potential is within the limit given by management.

c) Price risk

The Group is not exposed to significant commodity or security price risk.

d) Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures to customers. Individual risk limits are set based on internal and external ratings and reviewed by the Board where appropriate. The utilisation of credit limits is regularly monitored with appropriate action taken by management in the event of a breach of credit limit.

e) Liquidity risk

Management monitors rolling forecasts of the Group's undrawn borrowing facility and cash and cash equivalents based on expected cash flow. The Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's future growth and its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group operates in the managed services sector which, generally, does not require substantial fixed asset investments. Consequently, the Group is financed predominantly by equity.

In order to maintain or adjust the capital structure the Group has previously both issued new shares and borrowed using bank facilities. The Group monitors capital on the basis of the ratio of net bank debt to adjusted EBITDA. Net debt is calculated as total bank borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents, and adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, exceptional costs and share-based payments. The Group's strategy is to maintain the ongoing ratio at below 2.5x, although the bank facilities can accommodate a higher ratio. The ratio was comfortably below this level throughout the year, and at 31 March 2020 was 0.8x (31 March 2019 – 1.1x).

The bank facilities referred to in Note 21 contain various covenants relating to EBITDA, interest cover, net debt and cash flow, which the Group monitors on a monthly basis. The Group adopts a risk-averse position with respect to borrowings and maintains a significant amount of headroom in its bank facilities to ensure that any unexpected situations do not create financial stress.

The Board remains committed to a progressive dividend policy and will review the possibility of reinstating the dividend when it releases the Group's half year results. However, in light of the Restitution Scheme and the continued uncertainty resulting from the ongoing COVID-19 pandemic, the Board has decided that it will not be recommending the payment of a final dividend to shareholders for FY20.

The Group grants share options to Directors and other selected employees. However, these do not have a significant impact on the Group's capital structure.

5 Segment reporting

IFRS 8 requires operating segments to be identified based on internal financial information reported to the chief operating decision-maker (CODM) for decision-making purposes. The Group considers that this role is performed by the main Board. The Board believes that the Group continues to comprise a single reporting segment, being the provision of managed services to customers. The CODM assesses profit performance principally through an adjusted EBITDA measure, as defined on page 25.

Whilst the Board reviews the Group's three revenue streams separately (recurring, product and service), 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 to the CODM.

Non-current assets held outside the UK total £nil (31 March 2019: £nil).

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

6 Revenue

Revenue for the year ended 31 March 2020 was generated wholly from the UK and is analysed as follows:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Recurring revenue	**77,617**	80,544
Product revenue	**5,215**	5,810
Services revenue	**4,653**	6,906
Total revenue	**87,485**	**93,260**

Revenue is analysed into the following categories:

- Recurring monthly revenue, lower at £77.6m (FY19: £80.5m), largely driven by a reduction in Public Sector hosting revenues (£2.1m), caused by the government's Crown Hosting policy. Recurring revenues excluding Crown Hosting have increased in each of the last three quarters.
- Non-recurring product revenue, which was lower at £5.2m (FY19: £5.8m), was impacted by the industry trend to move away from on-premise to cloud solutions and by customers delaying discretionary spending due to the economic uncertainty.
- Non-recurring services revenue was lower at £4.7m (FY19: £6.9m).

6.1 Contract Balances

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

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Receivables, which are included in trade and other receivables	**12,375**	11,591
Accrued income	**1,849**	1,949
Deferred income	**(9,685)**	(9,142)

There were no material impairment losses recorded during the year or the prior year.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

7 Operating loss

The following costs are considered to be significant items within operating loss.

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Amortisation of acquired intangible assets	**6,252**	6,252
Amortisation of intangible assets: owned	**876**	1,005
Amortisation of intangible assets: leased	**321**	135
Depreciation: owned assets	**6,373**	5,066
Depreciation: assets held under finance lease	**-**	2,264
Depreciation: right-of-use assets	**2,441**	-
Share-based payments	**562**	366
Operating lease payments	**-**	3,424
Employee benefits expense, excluding share-based compensation	**20,695**	21,027
	37,520	39,539

8 Auditors' remuneration

Total fees payable by the Group during the year to KPMG LLP in respect of the audit and other services provided were as follows:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Audit of these financial statements	**25**	25
Amounts payable to the Group's auditor and associated companies in respect of:		
-Audit of the financial statements of subsidiaries of the Company	**169**	131
-Tax compliance services	**11**	20
-Tax advisory services	**11**	20
-All other services	**-**	16
	216	**212**

9 Exceptional items

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Professional fees associated with the FCA Investigation	**(555)**	554
Staff restructuring	**465**	804
Vacant property lease provisions net of costs	**(141)**	553
Onerous service contracts	**1,155**	-
Circuit termination charges	**163**	-
Restitution provision	**11,429**	-
	12,516	**1,911**

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

9 Exceptional items (continued)

During the year, the Group has continued to incur professional advisor costs in relation to the FCA Investigation but has also received £715k from its insurers.

Staff restructuring costs relate to a rationalisation programme principally impacting the Development, Operations (managed apps), Assurance, and MIS (internal IT) departments. New structures have been put in place in each of these areas and a total of 19 employees have been made redundant.

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

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

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

The Restitution Scheme provision constitutes the amount that has been agreed with the FCA to settle with net purchasers of ordinary shares in the Company between 9 November 2015 and 7 November 2016.

10 Finance income and costs

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Finance income		
Other interest receivable	**5**	13
Finance costs		
Interest payable on bank loans and overdrafts	**(610)**	(947)
Interest payable on leases	**(1,220)**	(93)
Amortisation of loan arrangement fees	**(51)**	(51)
	(1,881)	**(1,091)**

Interest payable on leases includes £1.1m of interest on leases previously classified as operating leases under IAS17.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

11 Employees

The average monthly number of people (including Executive Directors) employed by the Group during the year was as follows:

	Year ended 31 March 2020 Number	Year ended 31 March 2019 Number
Operations	**296**	310
Selling and distribution	**108**	103
Administration	**58**	66
	462	479

Staff costs were:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Wages and salaries	**17,396**	18,173
Social security costs	**1,648**	1,907
Share options granted to Directors and employees	**562**	366
Pension costs	**624**	581
Payments in lieu of notice and redundancy included within exceptional items	**465**	804
	20,695	21,831

11.1 Key management compensation

Key management personnel are those persons having authority and responsibility for planning, controlling and directing the activities of the entity either directly, or indirectly. The following table details the compensation of key management personnel, being senior management that sit on the Operating Board of the Group.

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Basic salary, allowances and fees	**1,021**	765
Bonus and other benefits	**102**	121
Share based payments	**241**	85
Pension costs	**17**	29
Payments in lieu of notice and redundancy	**154**	-
	1,535	1,000

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

11 Employees (continued)

11.2 Director's remuneration

The remuneration of the Directors in respect of the year was as follows:

	Basic Salary, allowances, and fees £000	Bonus £000	Pension £000	Share-based payments £000	**FY20 Total £000**	FY19 Total £000
Executive						
Peter Brotherton[1]	307	80	4	138	**529**	419
Dean Barber[2] (appointed 2-Sept-19, resigned 3 April 2020)	103	-	4	-	**107**	-
Chris Jagusz[3] (resigned 21-Nov-18)	-	-	-	-	**-**	383
Non-executive						
Ian Johnson (appointed 16-Oct-19)	39	-	-	-	**39**	-
Stephen Vaughan	49	-	-	-	**49**	40
Jon Kempster	44	-	-	-	**44**	36
Chris Cole (resigned 16-Oct-19)	41	-	-	-	**41**	70
Chris Rigg (resigned 31-Dec-19)	30	-	-	-	**30**	7

[1]Includes travel allowance of £7k. On 26 September 2019 Peter Brotherton exercised nil-cost options over 161,905 ordinary shares of 0.1p each.

[2]Includes car allowance of £4k

[3]Any share-based payments issued to Chris Jagusz in FY19 lapsed upon his departure, therefore the expense was written back in FY19 and there was net nil impact to the P&L.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

11 Employees (continued)

Details of share options in the Company held by the Directors during the year are as follows (audited):

		Exercise price (p)	Balance, 31 March 2019	Granted	Forfeited / expired	Exercised	Balance, 31 March 2020
Peter Brotherton	(a)	Nil	161,905	-	-	(161,905)	-
	(b)	Nil	192,481	-	-	-	192,481
	(c)	63	28,571	-	-	-	28,571
	(d)	Nil	298,879	-	-	-	298,879
	(e)	Nil	-	379,267	-	-	379,267
			681,836	379,267	-	(161,905)	899,198
Dean Barber	(f)	Nil	-	175,750	-	-	175,750

(a) The options were granted on 29 December 2017 under the Company's Long-Term Incentive Plan ("LTIP") and vested post the release of the Group's results for the year ended 31 March 2019.

(b) The options were granted on 29 June 2017 under the Company's LTIP. The options will vest post the release of the Group's results for the year ended 31 March 2020 subject to the achievement of performance conditions related to the growth in earnings per share.

(c) The options were granted pursuant to the Company's HMRC approved Save-As-You-Earn Option Plan. These options are available for exercise from 30 August 2020.

(d) The options were granted on 26 November 2018 under the Company's LTIP. The options will vest post the release of the Group's results for the year ended 31 March 2021 subject to the achievement of performance conditions related to the growth in earnings per share.

(e) The options were granted on 28 June 2019 under the Company's LTIP. The options will vest post the release of the Group's results for the year ended 31 March 2022 subject to the achievement of performance conditions related to the growth in share price.

(f) The options were granted on 3 September 2019 under the Company's LTIP. The options will vest post the release of the Group's results for the year ended 31 March 2022 subject to the achievement of performance conditions related to the growth in share price.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

12 Income tax expense

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Income tax		
UK current year tax charge	**844**	602
Overseas current year tax charge	**102**	98
Adjustment in respect of prior years	**(148)**	90
Total income tax	**798**	790
Deferred tax		
Current year	**(796)**	(754)
Adjustment in respect of prior years	**(15)**	568
Total deferred tax	**(811)**	(186)
Total tax (credit) / charge in consolidated statement of comprehensive income	**(13)**	604

Factors affecting the tax charge for the year		
Loss before taxation	**(10,613)**	(1,363)
Taxation at the average UK corporation tax rate of 19.0% (FY19: 19.0%)	**(2,016)**	(259)
Tax effects of:		
- Expenses not allowable in determining taxable profit	**2,206**	84
- Adjustment in respect of prior years	**(163)**	658
- R&D tax credit	**(40)**	-
- Deferred tax rate change	**(22)**	87
- Effect of overseas tax rates	**22**	34
Tax (credit) / charge for the year	**(13)**	604

Expenses not allowable in determining taxable profits includes £2.2m in respect of the provision booked for restitution. See Note 23 for further detail.

The adjustment in respect to prior year relates to the resubmission of the FY18 and FY19 tax computations for R&D tax credits claimed during the year.

The government announced during the year that the planned UK corporation tax main rate reduction applicable from 1 April 2020 now remains at 19% rather than the previously enacted reduction to 17%. As deferred tax assets and liabilities are measured at the rates expected to apply in the period of the reversal, deferred tax balances have been calculated at 19%.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

13 Earnings per share (EPS)

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

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Earnings		
Statutory earnings	**(10,600)**	(1,967)
Tax charge	**(13)**	604
Amortisation of acquired intangibles	**6,252**	6,252
Share-based payments	**562**	366
Exceptional items	**12,516**	1,911
Adjusted earnings before tax	**8,717**	7,166
Notional tax charge at standard rate	**(1,656)**	(1,362)
Adjusted earnings	**7,061**	5,804
Weighted average number of ordinary shares	**Number '000**	Number '000
Total shares in issue	**149,311**	149,135
Shares held in treasury	**(822)**	-
For basic EPS calculations	**148,489**	149,135
Effect of potentially dilutive share options	**2,314**	1,141
For diluted EPS calculations	**150,803**	150,276
EPS	**Pence**	Pence
Basic	**(7.14)p**	(1.32)p
Adjusted	**4.76p**	3.89p
Basic diluted	**(7.14)p**	(1.32)p
Adjusted diluted	**4.68p**	3.86p

14 Dividends

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Interim dividend for the year ended 31 March 2019	**-**	597
Final dividend for the year ended 31 March 2019	**1,492**	-
Interim dividend for the year ended 31 March 2020	**1,239**	-
	2,731	597

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

14 Dividends (continued)

The Group paid an interim dividend in respect of the year to 31 March 2019 of 0.40p per ordinary share, with a total payment value of £0.6m.

The Group paid a final dividend in respect of the year to 31 March 2019 of 1.00p per ordinary share, with a total payment value of £1.5m.

The Group paid an interim dividend for the year ended 31 March 2020 of 0.83p per ordinary share, with a total payment value of £1.2m.

In light of the Restitution Scheme and the continued uncertainty resulting from the ongoing COVID-19 pandemic, the Board has decided not to recommend payment of a final dividend to shareholders for FY20.

15 Intangible Assets

	Goodwill	Customer contracts and related relationships	Trademarks	Software and licences	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2018	43,269	62,284	275	5,613	111,441
Additions	-	-	-	717	717
Exchange differences	-	-	-	1	1
At 31 March 2019	43,269	62,284	275	6,331	112,159
Additions	-	-	-	578	578
Exchange differences	-	-	-	-	-
At 31 March 2020	**43,269**	**62,284**	**275**	**6,909**	**112,737**
Accumulated amortisation and impairment					
At 1 April 2018	-	25,813	275	2,867	28,955
Charged in year	-	6,252	-	1,141	7,393
Exchange differences	-	-	-	(1)	(1)
Write-off	-	-	-	10	10
At 31 March 2019	-	**32,065**	**275**	**4,017**	**36,357**
Charged in year	-	6,252	-	1,197	7,449
Exchange differences	-	-	-	-	-
Write-off	-	-	-	64	64
At 31 March 2020	**-**	**38,317**	**275**	**5,278**	**43,870**
Net book value					
At 31 March 2020	**43,269**	**23,967**	**-**	**1,631**	**68,867**
At 31 March 2019	43,269	30,219	-	2,314	75,802
At 31 March 2018	43,269	36,471	-	2,746	82,486

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

15 Intangible Assets (continued)

Included in software and licences are intangibles assets held under leases with a carrying value of £452k at 31 March 2020 (31 March 2019: £773k). Of the £578k intangible assets acquired in the year, £288k were funded using leases (FY19: £484k).

Customer contracts have a weighted average remaining amortisation period of 4 years and 11 months (FY19: 5 years and 11 months).

Impairment tests for goodwill and other intangibles

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

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

The value in use has been calculated using budgeted cash flow projections to the period of 31 March 2022, extrapolated for a further three years by an average annual revenue growth rate of 2.0%. A terminal value based on a perpetuity calculation using a 0.0% real growth rate was then added.

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

- Gross margin percentage of 60.5%
- Pre-tax discount rate of 9.21% (post tax 8.6%); and
- Terminal growth rate percentage of 0.0%

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

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

16 Property, plant and equipment

	Land and buildings £000	Leasehold improvements £000	Office fixtures and fittings £000	Vehicles & computer equipment £000	Total £000
Cost					
At 1 April 2018	-	13,896	1,372	29,837	45,105
Reclassification	-	(274)	-	274	-
Additions	-	112	159	5,723	5,994
Disposals	-	-	(37)	(1,849)	(1,886)
Exchange differences	-	-	-	2	2
At 31 March 2019	-	13,734	1,494	33,987	49,215
Recognition of ROU asset on initial application of IFRS 16	27,858	-	-	736	28,594
Adjusted balance at 1 April 2019	27,858	13,734	1,494	34,723	77,809
Additions	-	134	129	6,081	6,344
Remeasurement	2,030	-	-	-	2,030
Disposals	-	(6,285)	(569)	(6,500)	(13,354)
Exchange differences	-	-	2	(14)	(12)
At 31 March 2020	**29,888**	**7,583**	**1,056**	**34,290**	**72,817**
Accumulated depreciation					
At 1 April 2018	-	9,526	1,002	14,339	24,867
Reclassification	-	(272)	-	272	-
Charged in year	-	869	115	6,346	7,330
On disposals	-	-	(22)	(1,092)	(1,114)
Exchange differences	-	-	-	(1)	(1)
At 31 March 2019	-	10,123	1,095	19,864	31,082
Recognition of ROU asset on initial application of IFRS 16	7,823	-	-	-	7,823
Adjusted balance at 1 April 2019	7,823	10,123	1,095	19,864	38,905
Charged in year	1,898	626	135	6,155	8,814
On disposals	-	(6,285)	(569)	(6,500)	(13,354)
Exchange differences	-	-	-	(15)	(15)
At 31 March 2020	**9,721**	**4,464**	**661**	**19,504**	**34,350**
Net book value					
At 31 March 2020	**20,167**	**3,119**	**395**	**14,786**	**38,467**
At 31 March 2019	-	3,611	399	14,123	18,133
At 31 March 2018	-	4,370	370	15,498	20,238

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

16 Property, plant and equipment (continued)

Included in vehicle and computer equipment and land and buildings are assets held under leases with a carrying value of £25,838k at 31 March 2020 (31 March 2019: £3,979k). Of the £6,344k fixed assets acquired in the year, £2,370k were funded using leases (FY19: £1,325k).

The remeasurement represents the estimated costs associated with returning certain leasehold properties to the original condition upon exiting the lease. All changes in the dilapidations provision (see note 23) other than changes resulting from the unwinding of the discount are added or deducted from the cost of the related asset in the current period.

16.1 Right of use assets

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

	Land and buildings £000	Vehicles & computer equipment £000	Total £000
At 1 April 2019	20,035	736	20,771
Depreciation charge for the year	(1,898)	(543)	(2,441)
Additions	-	2,370	2,370
Other movements	2,031	-	2,031
At 31 March 2020	**20,168**	**2,563**	**22,731**

17 Deferred tax

Certain deferred tax assets and liabilities have been offset on the face of the consolidated statement of financial position. The following is the analysis of the deferred tax balances (before offset) for financial reporting purposes:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Deferred tax liabilities	**(4,550)**	(5,134)
Deferred tax assets	**6,032**	5,276
	1,482	142

17.1 Deferred tax liabilities

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Opening balance	5,134	6,197
Recognised in the income statement	(584)	(1,063)
	4,550	**5,134**

Deferred tax liabilities relate to intangible assets from business acquisitions.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

17 Deferred tax (continued)

17.2 Deferred tax assets

	India £000	Share-based payments £000	Tax losses £000	Property, plant and equipment £000	Other timing differences £000	Total £000
Cost						
At 1 April 2018	11	57	3,206	2,867	11	6,152
Recognised in income statement	5	9	(223)	(100)	1	(309)
Adjustment in relation to prior year	28	(30)	(203)	(363)	-	(568)
At 31 March 2019	44	36	2,780	2,404	12	5,276
Adjustment upon transition to IFRS 16	-	-	-	-	530	530
Recognised in income statement	3	127	(365)	527	(51)	241
Adjustment in relation to prior year	-	(10)	(5)	-	-	(15)
At 31 March 2020	**47**	**153**	**2,410**	**2,931**	**491**	**6,032**

18 Trade and other receivables

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Trade receivables	**13,813**	13,112
Less: provision for impairment of trade receivables and credit notes	**(1,438)**	(1,521)
Trade receivables – net	**12,375**	11,591
Other receivables	**664**	194
Prepayments	**5,639**	6,133
Commission contract asset	**2,734**	2,040
Accrued income	**1,849**	1,949
	23,261	21,907

The commission contract asset arose on the adoption of IFRS 15. For the year ended 31 March 2020 the impairment for this contract asset was immaterial (31 March 2019: immaterial).

19 Credit quality of financial assets

The amounts of the maximum exposure to credit risk at the reporting date are as follows:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Trade receivables	**12,375**	11,591
Other receivables	**664**	194
Cash and cash equivalents	**3,710**	7,206
	16,749	18,991

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

19 Credit quality of financial assets (continued)

19.1 Credit quality of trade receivables

The Directors monitor the quality of the receivables not impaired and believe them to be recoverable. The non-impaired receivables are fully performing and relate to independent customers with no history of default. The individually impaired receivables relate to receivables over 365 days, customers in financial difficulty, customer acceptance issues and cancelled contracts.

The ageing analysis of trade receivables is as follows:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Current	**10,993**	9,074
1 to 30 days overdue	**1,656**	2,628
31 to 60 days overdue	**593**	505
61 to 90 days overdue	**220**	99
91 to 180 days overdue	**288**	390
> 180 days overdue	**63**	416
Gross trade debtors	**13,813**	13,112
Provision	**(1,438)**	(1,521)
Net trade debtors	**12,375**	11,591

As at 31 March 2020, trade receivables of £246k were provided for (31 March 2019: £185k). £1,192k has been provided for within the credit note provisions (31 March 2019: £1,337k). No provision has been made against accrued income in the year ended 31 March 2020 (31 March 2019: £nil).

The provision is calculated by management on a specific basis based on their best estimate of recoverability considering the age and specific circumstances relating to the debtor. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Movements on the Group bad debt and credit provisions were as follows:

	Provision in relation to FY18 and earlier £000	Provision in relation to FY19 £000	Provision in relation to FY20 £000	Total provision £000
At 1 April 2018	981	-	-	981
Creation of provision	574	2,768	-	3,342
Utilisation of provision	(1,337)	(1,465)	-	(2,802)
At 31 March 2019	218	1,303	-	1,521
Creation of provision	36	10	1,736	1,782
Utilisation of provision	(247)	(707)	(911)	(1,865)
At 31 March 2020	**7**	**606**	**825**	**1,438**

19.2 Cash and cash equivalents

The Group's cash is held at accounts with Barclays Bank PLC, which has a Standard and Poor's rating of A.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

20 Trade and other payables

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Trade payables	7,661	6,603
Other payables	198	275
Taxation and social security	2,596	3,249
Accruals	4,171	3,028
Deferred income	9,685	9,142
Corporation Tax	-	-
	24,311	22,297

Of the deferred income balance of £9.1m at 31 March 2019, £6.9m has been recognised as revenue in the year ended 31 March 2020.

Of the deferred income balance of £8.3m at 31 March 2018, £7.9m was recognised as revenue in the year ended 31 March 2019.

21 Borrowings

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Current		
Lease liabilities	**3,528**	2,762
Term loans	**115**	294
Bank loan	**12,500**	-
Unamortised loan arrangement fee	**(17)**	-
	16,126	3,056
Non-current		
Lease liabilities	**22,097**	2,214
Term loans	**36**	69
Bank loan	**-**	19,500
Unamortised loan arrangement fee	**-**	(68)
	22,133	21,715

At 31 March 2020, the Group was party to £47.5m of bank facilities with a termination date of 30 November 2020. The facilities comprise a Revolving Credit Facility of £17.5m (£12.5m utilised at 31 March 2020) with a £20.0m accordion (£nil utilised at 31 March 2020), a £5.0m Overdraft Facility (£nil utilised at 31 March 2020) and a £5.0m Asset Financing Facility (£1.1m utilised at 31 March 2020).

The RCF has been provided jointly by Barclays Bank PLC and The Royal Bank of Scotland PLC, with Lombard Technology Services Ltd providing the Asset Financing Facility and Barclays Bank PLC the Overdraft Facility.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

21 Borrowings (continued)

Post the year-end the Banks have agreed to extend the current facilities to 30 June 2022, with all terms and covenants remaining the same until this time. On 17 July 2020 certain amendments were made to the Facilities Agreement to allow for the impact of the Proposed Restitution Scheme.

21.1 Reconciliation of net debt

	As at 31 March 2018 £000	Net cash flow £000	Net non-cash flow £000	As at 31 March 2019 £000	Net cash flow £000	Net non-cash flow £000	**As at 31 March 2020 £000**
Cash	6,089	1,125	(8)	7,206	(3,496)	-	**3,710**
RCF	(27,864)	8,500	(68)	(19,432)	7,000	(51)	**(12,483)**
Term Loan	-	(66)	(297)	(363)	212	-	**(151)**
Lease Liabilities	(5,932)	(885)	1,841	(4,976)	6,234	(26,883)	**(25,625)**
	(27,707)	8,674	1,468	(17,565)	9,950	(26,934)	**(34,549)**

21.2 Terms and repayment schedule

	Currency	Nominal interest rate	Year of maturity
RCF	GBP	LIBOR + 2.40%	2020
Term Loan	GBP	0.0-2.0%	2020-22
Leases	GBP	1.4-7.5%	2020-35

21.3 Leases

	Present value as at 31 March 2020 £000	**Finance charges £000**	**Future lease payments as at 31 March 2020 £000**	Present value as at 31 March 2019 £000	Finance charges £000	Future lease payments as at 31 March 2019 £000
Not later than 1 year	**3,528**	**1,229**	**4,757**	2,762	61	2,823
After 1 year but not more than 5 years	**9,395**	**3,198**	**12,593**	2,214	77	2,291
After more than 5 years	**12,702**	**4,530**	**17,232**	-	-	-
	25,625	**8,957**	**34,582**	4,976	138	5,114

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

22 Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. These amounts disclosed in the table are the contracted undiscounted cash flows. Balances within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year £000	1 - 5 years £000	More than 5 years £000	**Total £000**
At 31 March 2020				
Bank loans	12,500	-	-	**12,500**
Leases	3,528	9,395	12,702	**25,625**
Term loans	115	36	-	**151**
Trade payables	7,661	-	-	**7,661**
Other payables	198	-	-	**198**
	24,002	9,431	12,702	**46,135**
At 31 March 2019				
Bank loans	-	19,500	-	19,500
Finance leases	2,762	2,214	-	4,976
Term loans	294	69	-	363
Trade payables	6,603	-	-	6,603
Other payables	274	-	-	274
	9,933	21,783	-	31,716

Borrowings exclude unamortised loan arrangement fee of £17,000 (FY19: £68,000)

23 Provisions

	Restitution Scheme provision £000	Dilapidations provision £000	Onerous service contract provision £000	Total provision £000
At 1 April 2018	-	376	-	376
Additional provisions created during the period	-	120	538	658
Utilised during the period	-	-	(4)	(4)
At 31 March 2019	-	496	534	1,030
Additional provisions created during the period	11,429	2,030	833	14,292
Released during the period	-	-	(156)	(156)
Utilised during the period	-	-	(513)	(513)
At 31 March 2020	**11,429**	**2,526**	**698**	**14,653**
Analysed as:				
Current	11,429	-	693	12,122
Non-current	-	2,526	5	2,531
	11,429	**2,526**	**698**	**14,653**

The Restitution Scheme provision relates to the settlement agreed with the FCA in respect of certain historical accounting misstatements that were uncovered by the Company in November 2016. As part of this settlement, the Company agreed to implement a Restitution Scheme to compensate net purchasers of ordinary shares in the Company between 9 November 2015

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

23 Provisions (continued)

and 6 November 2016. The amount represents management's best estimate of the cost to the Group. The uncertainty in the value arises as a result of the fact that claimants have the option to opt for a cash payment, a share payment or a split payment. All outflows associated with the Restitution Scheme are expected to be made by 31 October 2020.

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

24 Share capital and share premium

	Ordinary shares of 0.1p each		Share premium
	£000	£000	£000
At 1 April 2018 and 31 March 2019	149,135,316	149	65,588
New shares issued	175,397	-	146
At 31 March 2020	**149,310,713**	**149**	**65,734**

During the year the Company purchased, and held in treasury, 822,427 of its ordinary share capital for total proceeds of £724,000. The total shares held in treasury at 31 March 2020 was 822,427 (31 March 2019: Nil).

The number of shares authorised is the same as the number of shares issued. Ordinary shareholders have the right to attend, vote and speak at meetings, receive dividends, and receive a return on assets in the case of a winding up.

25 Share-based payments

At 31 March 2020, the Group had the following share-based payment arrangements in place:

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.

Save As You Earn (SAYE)

The Group operates a HMRC approved SAYE scheme which offers its UK based colleagues the opportunity to participate in a share purchase plan. To participate in the plan, the colleagues 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 colleagues are entitled to purchase shares using funds saved at a price 20% below the market price at grant date. Only colleagues 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. Colleagues 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.

The Group recognised the following expense for its share-based payments:

	Year ended 31 March 2020	Year ended 31 March 2019
	£000	£000
Equity-settled share-based charge on LTIP scheme	**362**	221
Equity-settled share-based charge on SAYE scheme	**122**	133
National Insurance arising on share options	**78**	12
	562	366

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

25 Share-based payments (continued)

The fair value of the equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	EMI	LTIP	SAYE	MXC	TOTAL	**WAEP**
Balance at 31 March 2018	581,968	845,621	1,495,532	7,000,000	9,923,121	72.2p
Issued in the period	-	914,209	-	-	914,209	0.1p
Forfeited in the period	-	-	(130,905)	-	(130,905)	76.3p
Cancelled in the period	-	-	(100,483)	-	(100,483)	70.4p
Exercised in the year	-	-	-	-	-	70.0p
Lapsed in the year	(581,968)	(484,230)	(289,624)	(7,000,000)	(8,355,822)	76.3p
Balance at 31 March 2019	-	1,275,600	974,520	-	2,250,120	27.7p
Issued in the period	**-**	**1,667,517**	**488,342**	**-**	**2,155,859**	**14.4p**
Forfeited in the period	**-**	**(92,619)**	**-**	**-**	**(92,619)**	**0.1p**
Cancelled in the period	**-**	**-**	**(49,126)**	**-**	**(49,126)**	**63.0p**
Exercised in the year	**-**	**(161,905)**	**(13,492)**	**-**	**(175,397)**	**4.9p**
Lapsed in the year	**-**	**(105,763)**	**(74,486)**	**-**	**(180,249)**	**38.8p**
Balance at 31 March 2020	**-**	**2,582,830**	**1,325,758**	**-**	**3,908,588**	**21.1p**

As at 31 March 2020 the Company had a total of 350,000 (31 March 2019: 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. Redcentric Plc was created when Redstone Plc demerged its network-based management services business.

The weighted average remaining contractual life for the share options outstanding at 31 March 2020 is 6 years and 5 months (31 March 2019: 5 years and 10 months). The range of exercise prices for options outstanding at the end of the year was 0p to 63p. Share options outstanding at the end of the year with approximate remaining average life are as follows:

Exercise price	**Number, year ended 31 March 2020**	**Life at 31 March 2020**	Number, year ended 31 March 2019	Life at 31 March 2019
0p	**2,582,830**	**8 years, 10 months**	1,275,600	8 years, 10 months
63p	**845,973**	**0 years, 11 months**	949,398	1 year, 11 months
63p	**479,785**	**3 years, 0 months**	-	-
154p	**-**	**-**	25,122	0 years, 6 months
	3,908,588	**6 years, 5 months**	2,250,120	5 years, 10 months

The following table illustrates the status of the options outstanding at the end of the year:

	31 March 2020 Number of options	**31 March 2020 WAEP**	31 March 2019 Number of options	31 March 2019 WAEP
Performance conditions satisfied	**-**	**0p**	-	0p
Subject to performance conditions	**2,582,830**	**0p**	1,275,600	0p
Save-As-You-Earn	**1,325,758**	**63p**	974,520	65p
Outstanding at the end of the year	**3,908,588**	**21p**	2,250,120	28p

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

26 Capital commitments

The Group had no contracted but not provided for capital commitments at 31 March 2020 (31 March 2019: £nil).

27 Pensions

The Group operates a defined contribution pension scheme for eligible employees. The charge for the year ended 31 March 2020 was £624,000 (FY19: £581,000). At the year- end there was a pension's creditor of £0.1m (2019: £0.1m).

28 Subsidiaries

The undertakings whose results and financial position are consolidated within the Group financial statements at 31 March 2020 are as follows:

	Principal activity	Country of incorporation	% of ordinary share capital owned
Held directly by Redcentric plc			
Redcentric Holdings Limited	Dormant	England and Wales	100%
Redcentric Solutions Limited	Managed Services	England and Wales	100%
Held indirectly			
Redcentric Solutions Private Limited	Support services	India	100%
Redcentric MS Limited	Dormant	England and Wales	100%
Redcentric Managed Solutions Limited	Dormant	England and Wales	100%
Redcentric Communications Limited	Dormant	England and Wales	100%
Hotchilli Internet Limited	Dormant	England and Wales	100%
Redcentric US Limited	Dormant	USA	100%
Calyx Managed Services Limited	Dormant	England and Wales	100%
City Lifeline Limited	Dormant	England and Wales	100%

Companies have a registered office of Central House, Beckwith Knowle, Harrogate HG3 1UG, except Redcentric Solutions Private Limited which has a registered office at # 606-611, 6th Floor, Manjeera Trinity Corporate, JNTU – Hitech City Road, Kukatpally, Hyderabad – 72, and Redcentric US Limited which has a registered office at 874 Walker Road, Suite C, Dover, Kent, USA 19904.

29 Related parties

The Group has taken exemption not to disclose transactions with entities wholly owned by the Group.

Directors' emoluments are disclosed in the Remuneration Report on page 49 and compensation of key management personnel is disclosed in note 11.

There were no other transactions with related parties in the year to 31 March 2020.

30 Subsequent events

Post the year-end the Group's existing bank facilities have been extended by to 30 June 2022, with all terms and covenants remaining the same until this time. On 17 July 2020 certain amendments were made to the Facilities Agreement to allow for the impact of the Proposed Restitution Scheme.

Notes to the consolidated financial statements

for the year ended 31 March 2020 (continued)

30 Subsequent events (continued)

The Company reached a settlement with the FCA in connection with the FCAs Investigation in relation to the Company, which was announced on 26 June 2020. This concludes the long running investigation and removes significant uncertainty

and costs for the Company. It also enables management to focus solely on the business, reopens FCA regulated markets and should remove caution from new logo customers who are considering transferring their mission critical IT infrastructure to the Company.

As part of the settlement agreed with the FCA, the Company agreed to pay restitution to net purchasers of ordinary shares in the Company between 9 November 2015 and 7 November 2016 under the Restitution Scheme. Each potential claimant under the Restitution scheme agreed with the FCA who goes on to receive a restitution payment is required to waive any and all claims they may have against the Company in relation to any matters arising out of or connected with the matters referred to in the final notice issued by the FCA on 26 June 2020.

On 13 July 2020, the Company announced the following:

1. the placing of 3,910,000 new ordinary shares at the issue price of 110p per share;
2. the subscription for 1,340,000 new ordinary shares by Coltrane Asset Management; and
3. the issue of 308,000 new ordinary shares to Harwood Capital pursuant to a deed of settlement dated 26 June 2020 between the Company and Harwood Capital and settling all claims against the Company in the same manner and on the same basis as if they had participated in the Restitution Scheme.

Company Balance Sheet

as at 31 March 2020

	Note	31 March 2020 £000	31 March 2019 £000
Fixed Assets			
Investments	2	**102,402**	101,918
Current liabilities			
Creditors – amounts falling due within one year	3	**(15,726)**	(12,271)
Provisions	4	**(11,429)**	-
Net current liabilities		**(27,155)**	(12,271)
Net assets		**75,247**	89,647
Capital and reserves			
Called up share capital		**149**	149
Share premium account		**65,734**	65,588
Share option reserve		**6,194**	5,856
Own shares held in treasury		**(724)**	-
Retained earnings		**3,894**	18,054
Total shareholders' funds		**75,247**	89,647

The notes on pages 109 to 110 are an integral part of these financial statements.

The financial statements of Redcentric Plc (Registration Number 08397584) on pages 107 to 108 were approved by the Board on 21 July 2020 and are signed on its behalf by:

David Senior
Chief Financial Officer

Company Statement of Changes in Equity

for the year ended 31 March 2020

	Called up Share Capital	Share Premium	Share option reserve	Own shares held in treasury	Retained earnings	Total Equity
	149	65,588	5,503	-	18,645	89,885
Balance at 1 April 2018						
Transactions with owners						
Write off	-	-	-	-	6	6
Dividend paid to shareholders	-	-	-	-	(597)	(597)
Share-based payments	-	-	353	-	-	353
At 31 March 2019	149	65,588	5,856	-	18,054	89,647
Loss for the period	-	-	-	-	(11,429)	(11,429)
Transactions with owners						
Dividend paid to shareholders	-	-	-	-	(2,731)	(2,731)
Issue of new shares	-	146	(146)	-	-	-
Share buy-back	-	-	-	(724)	-	(724)
Share-based payments	-	-	484	-	-	484
At 31 March 2020	149	65,734	6,194	(724)	3,894	75,247

Notes to the Company Financial Statements (continued)

1 Accounting policies

The Company has elected to prepare the financial statements under FRS 101.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investments;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRS;
- disclosures in respect of the compensation of key management personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share based payments in respect of group settled share-based payments
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

2 Investments

	Year ended 31 March £000	Year ended 31 March £000
Investments in subsidiaries	**96,062**	96,062
Capital contribution related to share-based payments for subsidiaries	**6,340**	5,856
	102,402	101,918

The investment in the underlying subsidiaries has been considered by management to assess possible impairment at the year end. The investment recoverable amount was based on the value in use calculation using budgeted cash flow projections to the period of 31 March 2022, extrapolated for a further three years by an average annual revenue growth rate of 2.0%. A terminal value based on a perpetuity calculation using a 0.0% real growth rate was then added.

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

- Gross margin percentage of 60.5%
- Pre-tax discount rate of 9.21% (post tax 8.6%); and
- Terminal growth rate percentage of 0.0%

Notes to the Company Financial Statements (continued)

2 Investments (continued)

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

The subsidiary undertakings of the Company are disclosed in note 28 to the consolidated financial statements.

3 Creditors – amounts falling due within one year

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Amounts owed to subsidiaries	**15,726**	12,271

Amounts due to Group undertakings are unsecured, interest-free and have no fixed payment terms.

4 Provisions

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Restitution scheme provision	**11,429**	-

The Restitution Scheme provision relates to the settlement agreed with the FCA settlement in respect of certain historical accounting misstatements that were uncovered by the Company in November 2016. As part of this settlement, the Company agreed to implement a Restitution Scheme to compensate net purchasers of ordinary shares in the Company between 9 November 2015 and 6 November 2016. The amount represents management's best estimate of the cost to the company. The uncertainty in the value arises as a result of the fact that claimants have the option to opt for a cash payment, a share payment or a split payment. All outflows associated with the Restitution Scheme are expected to be made by 30 October 2020.

5 Share capital

Details of the share capital of the company are disclosed in note 24 to the consolidated financial statements. During the year the Company purchased, and held in treasury, 822,427 of its ordinary share capital for total proceeds of £724,000, representing 0.5% of the total called up share capital.

6 Auditors' remuneration

The Company audit fee is £25,000 (FY19: £25,000). This fee was borne by another Group company.

7 Related parties

The Group has taken exemption not to disclose transactions with entities wholly owned by the Group.

Directors' emoluments are disclosed in the Remuneration Report of the consolidated financial statements on page 49.

There were no other transactions with related parties in the year to 31 March 2020.

Appendix: impact of IFRS 16 (unaudited) (continued)

Consolidated statement of comprehensive income

	Year ended 31 March 2020 pre IFRS 16 £000	Impact of IFRS 16 £000	**Year ended 31 March 2020 as reported £000**	Year ended 31 March 2019 £000
Revenue	87,485	-	**87,485**	93,260
Cost of sales	(32,297)	-	**(32,297)**	(36,895)
Gross Profit	55,188	-	**55,188**	56,365
Operating expenditure	(64,845)	920	**(63,925)**	(56,650)
Adjusted EBITDA	17,567	3,037	**20,604**	16,714
Depreciation	(6,697)	(2,117)	**(8,814)**	(7,330)
Amortisation of intangibles	(7,449)	-	**(7,449)**	(7,392)
Exceptional items	(12,516)	-	**(12,516)**	(1,911)
Share-based payments	(562)	-	**(562)**	(366)
Operating (loss) / profit	(9,657)	920	**(8,737)**	(285)
Finance income	5	-	**5**	13
Finance costs	(774)	(1,107)	**(1,881)**	(1,091)
Profit / (loss) on ordinary activities before taxation	(10,426)	(187)	**(10,613)**	(1,363)
Income tax credit/(charge)	13	-	**13**	(604)
Profit / (loss) for the period attributable to owners of the parent	(10,413)	(187)	**(10,600)**	(1,967)
Other comprehensive income				
Items that may be classified to profit or loss:				
Currency translation differences	13	-	**13**	8
Total comprehensive income / (loss) for the period	(10,400)	(187)	**(10,587)**	(1,959)
Earnings per share				
Basic (loss) per share	(7.01)p	(0.13)p	**(7.14)p**	(1.32)p
Diluted earnings/(loss) per share	(7.01)p	(0.13)p	**(7.14)p**	(1.32)p
Adjusted basic earnings per share	4.86p	(0.10)p	**4.76p**	3.89p
Diluted earnings per share	4.79p	(0.11)p	**4.68p**	3.86p

Appendix: impact of IFRS 16 (unaudited) (continued)

Consolidated statement of financial position

	31 March 2020 pre IFRS 16 £000	Impact of IFRS 16 £000	**Year ended 31 March 2020 as reported £000**	31 March 2019 £000
Non-Current Assets				
Intangible assets	68,867	-	**68,867**	75,802
Tangible assets	17,783	20,684	**38,467**	18,133
Deferred tax asset	952	530	**1,482**	142
	87,602	21,214	**108,816**	94,077
Current Assets				
Inventories	891	-	**891**	357
Trade and other receivables	23,784	(523)	**23,261**	21,907
Corporation tax receivable	346	-	**346**	196
Cash and short-term deposits	3,710	-	**3,710**	7,206
	28,731	(523)	**28,208**	29,666
Total assets	116,333	20,691	**137,024**	123,743
Current Liabilities				
Trade and other payables	(24,249)	(62)	**(24,311)**	(22,297)
Borrowings	(14,231)	(1,895)	**(16,126)**	(3,056)
Provisions	(12,122)	-	**(12,122)**	(149)
	(50,602)	(1,957)	**(52,559)**	(25,502)
Non-current liabilities				
Borrowings	(2,982)	(19,151)	**(22,133)**	(21,715)
Provisions	(500)	(2,031)	**(2,531)**	(881)
	(3,482)	(21,182)	**(24,664)**	(22,596)
Total liabilities	(54,084)	(23,139)	**(77,223)**	(48,098)
Net assets	62,249	(2,448)	**59,801**	75,645
Equity				
Called up share capital	149	-	**149**	149
Share premium account	65,734	-	**65,734**	65,588
Capital redemption reserve	(9,454)	-	**(9,454)**	(9,454)
Own shares held in treasury	(724)	-	**(724)**	-
Retained earnings	6,544	(2,448)	**4,096**	19,362
Total Equity	62,249	(2,448)	**59,801**	75,645

Appendix: impact of IFRS 16 (unaudited) (continued)

Consolidated cash flow statement

	Year ended 31 March 2020 pre IFRS 16 £000	Impact of IFRS 16 £000	**Year ended 31 March 2020 as reported £000**	Year ended 31 March 2019 £000
Operating (loss) / profit	(9,657)	920	**(8,737)**	(285)
Adjustment for non-cash items				
Depreciation and amortisation	14,146	2,117	**16,263**	14,722
Exceptional items	12,516	-	**12,516**	1,911
Share-based payments	562	-	**562**	366
Operating cash flow before exceptional items and movements in working capital	17,567	3,037	**20,604**	16,714
Loss on sale of fixed asset	-	-	**-**	(42)
Exceptional items and NI on share-based payments	(817)	-	**(817)**	(1,668)
Operating cash flow before changes in working capital	16,750	3,037	**19,787**	15,004
Changes in working capital				
Decrease/(Increase) in inventories	(534)	-	**(534)**	309
Decrease/(Increase) in trade and other receivables	(1,754)	(25)	**(1,779)**	5,775
Increase/(Decrease) in trade and other payables	1,130	213	**1,343**	(1,467)
Cash generated from operations	15,592	3,225	**18,817**	19,621
Tax paid	(660)	-	**(660)**	(1,873)
Net cash generated from operating activities	14,932	3,225	**18,157**	17,748
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	-	-	**-**	665
Purchase of property, plant and equipment	(3,943)	-	**(3,943)**	(4,665)
Purchase of intangible fixed assets	(290)	-	**(290)**	(564)
Net cash used in investing activities	(4,233)	-	**(4,233)**	(4,564)
Cash flows from financing activities				
Dividends paid	(2,731)	-	**(2,731)**	(597)
Share buy-back	(724)	-	**(724)**	-
Interest paid	(718)	(1,107)	**(1,825)**	(1,044)
Repayment of leases	(3,009)	(2,118)	**(5,127)**	(1,918)
Repayment of borrowings	(7,000)	-	**(7,000)**	(8,500)
Net cash used in financing activities	(14,182)	(3,225)	**(17,407)**	(12,059)
Net (decrease)/increase in cash and cash equivalents	(3,483)	-	**(3,483)**	1,125
Cash and cash equivalents at beginning of period	7,206	-	**7,206**	6,089
Effect of exchange rates	(13)	-	**(13)**	(8)
Cash and cash equivalents at end of the period	3,710	-	**3,710**	7,206

Appendix: impact of IFRS 16 (unaudited) (continued)

Consolidated net debt

	Year ended 31 March 2020 pre IFRS 16 £000	Impact of IFRS 16 £000	**Year ended 31 March 2020 as reported £000**	Year ended 31 March 2019 £000
Adjusted EBITDA	17,567	3,037	**20,604**	16,714
Effect of exchange rates	13	-	**13**	-
Working capital movements	(1,158)	188	**(970)**	4,575
Adjusted cash generated from operations	16,422	3,225	**19,647**	21,289
Cash conversion	*93.5%*	*106.2%*	*95.4%*	*127.4%*
Capital expenditure – cash purchases	(4,233)	-	**(4,233)**	(5,229)
Capital expenditure – finance lease purchases	(2,402)	-	**(2,402)**	(2,506)
Proceeds from sale and lease back of assets	-	-	**-**	1,181
Proceeds from sale of fixed assets	-	-	**-**	665
Net capital expenditure	(6,635)	-	**(6,634)**	(5,889)
Corporation tax	(660)	-	**(660)**	(1,873)
Interest paid	(718)	(1,107)	**(1,825)**	(1,044)
Loan arrangement fees/fee amortisation	(51)	-	**(51)**	(68)
Payment of lease liabilities	-	(2,117)	**(2,117)**	-
Effect of exchange rates	(13)	-	**(13)**	(8)
Other movements in net debt	(1,442)	(3,224)	**(4,666)**	(2,993)
Normalised net debt movement	8,345	1	**8,346**	12,407
Lease liabilities adopted under IFRS 16	-	(21,058)	**(21,058)**	-
Cash cost of exceptional items	(817)	-	**(817)**	(1,668)
Share buy-back	(724)	-	**(724)**	-
Dividends	(2,731)	-	**(2,731)**	(597)
	(4,272)	(21,058)	**(25,330)**	(2,265)
Decrease in net debt	4,073	(21,057)	**(16,984)**	10,142
Net debt at the beginning of the period	(17,565)	-	**(17,565)**	(27,707)
Net debt at the end of the period	(13,492)	(21,057)	**(34,549)**	(17,565)

Directors and advisers

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Peter Brotherton – Chief Executive Officer
David Senior – Chief Financial Officer

Non-executive
Ian Johnson
Steve Vaughan
Jon Kempster

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Harn Jagpal

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ISO 22301 Business Continuity Management BCMS 603194

ISO/IEC 27001 Information Security Management IS 603187