2023

REPORT & ACCOUNTS

redcentric

Year ended 31 March 2023 | Redcentric plc
Company Number 08397584

Redcentric is a digital transformation partner providing highly available connectivity, colocation, cloud, communications and cyber security solutions that help public and private sector organisations to succeed.

Assured Availability

Organisational Agility

Smarter Working

Contents

FINANCIAL HIGHLIGHTS

Total revenue
£141.7m
+51.8%

Recurring revenue
£128.5m
+54.8%

Adjusted EBITDA
£24.5m
+3.3%

Adjusted operating profit
£8.6m
-45.6%

Highlights

Financial performance measures

	Year ended 31 March 2023 ("FY23")	Year ended 31 March 2022 ("FY22")	Change
Total revenue	**£141.7m**	£93.3m	51.8%
Recurring revenue[1]	**£128.5m**	£83.0m	54.8%
Recurring revenue percentage[1]	**90.7%**	88.9%	1.8%
Adjusted EBITDA[1]	**£24.5m**	£23.7m	3.3%
Adjusted operating profit[1]	**£8.6m**	£15.9m	(45.6%)
Reported operating (loss)/profit	**(£8.9m)**	£6.6m	(235.3%)
Adjusted cash generated from operations[1]	**£23.1m**	£19.3m	19.6%
Reported cash generated from operations	**£14.8m**	£17.2m	(13.8%)
Net debt[1]	**(£73.0m)**	(£16.6m)	(339.5%)
Adjusted net debt[1]	**(£35.6m)**	(£1.5m)	(2,271.8%)
Adjusted basic earnings per share[1]	**2.66p**	7.68p	(65.3%)
Reported basic (loss)/earnings per share	**(5.94p)**	4.43p	(231.4%)

Percentage change calculated on absolute values

[1] This annual report and accounts contains certain financial measures that are not defined or recognised under IFRS but are presented to provide readers with additional financial information that is evaluated by management and investors in assessing the performance of the 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 pages 16 & 20 - 24.

"We visited quite a few co-locations and chose Redcentric for its 'can do' approach and the warm and cheerful welcome."

Gigamon®

Chairman's statement

I am very pleased to introduce the annual report and accounts ("Report") for the Redcentric plc ("Redcentric" or "Company") group of companies (the "Group") for the financial year ended 31 March 2023 ("FY23").

Overview and financial results

These results demonstrate an inflection point for the business, the annualised impact of the FY22 acquisitions together with the Sungard and 4D acquisitions made in FY23 have transformed the business both in terms of capability and scale. Revenues have grown by 52% in the financial year FY23 and on a run rate basis are c.75% higher than the pre-acquisition period of FY21. The acquisitions have enhanced our product offerings with Hyper cloud transformation and Cyber Security professional services being added to our portfolio.

The recent data centre acquisitions mean that electricity costs are key to the financial performance of the business, and we continue to invest in energy efficiency measures to reduce consumption whilst also being very active in the energy market. We have limited any commodity price volatility in FY24 by agreeing own-use commodity contracts to fix prices and we have also taken advantage of the relatively favourable energy market by fixing a significant proportion of our FY25 requirements.

With both the synergy and energy efficiency programmes completing during the course of FY24, FY25 will be the first full year that reflects the full benefit of the acquisitions.

The business has also put a sustained effort into delivering organic growth, with eleven of the last twelve months trading to June 2023 showing positive net new business. It is particularly pleasing to note that this has been delivered through a combination of new customers and delivering against cross selling opportunities as a result of broader product offerings and the enlarged customer base.

The focus for FY24 will be to complete the integration of the recently acquired businesses and to continue to grow the business by capitalising on the excellent opportunities provided by the acquisitions. Whilst further acquisitions are not an immediate priority for the company, with £41.5m of its £80m committed bank facility drawn at the date of these accounts, the company has significant firepower should an exceptional opportunity present itself.

Dividend and share buyback

During the year, the Board declared an interim dividend of 1.2 pence per share (FY22: 1.2 pence per share), with £1.9m paid on 27 January 2023 (FY22: £1.9m).

A final dividend of 2.4p per share is recommended by the board of directors of the Company (the "Board") and will result in a total dividend for FY23 of 3.6p per share (financial year ended 31 March 2022 "FY22": 3.6p per share). Subject to approval by shareholders at the Company's annual general meeting ("AGM"), this is expected to be paid on 19 January 2024 to shareholders on the register at the close of business on 8 December 2023 with shares going ex-dividend on 7 December 2023. The last day for Dividend Reinvestment Plan elections is 27 December 2023.

Board changes and people

On 21 July 2022, Alan Aubrey was appointed as a Non-Executive Director and Chair of the Audit Committee. Alan brings with him considerable market knowledge alongside a breadth and depth of skills and experience.

On 24 July 2023, Helena Feltham, Non-Executive Director, stepped down from the Board. Recruitment for her replacement is underway. On behalf of the Board and all at Redcentric I would like to thank Helena for her significant contribution over the last two years and wish her all the very best for the future.

Outlook

The business is benefitting greatly from the acquisitions of Piksel, 7 Elements, Sungard (Consultancy and Data Centres) and 4D made in the last two financial years with revenues growing at a significant pace. The integration programmes are progressing well and the full effect of these will be seen in FY25, in addition the business has protected itself against increases in electricity commodity prices in FY24 and has taken actions to benefit from a favourable energy market beyond FY24.

The factors above together with the organic growth momentum seen over the past twelve months, mean that the Board remains optimistic for the future of the business.

Nick Bate
Chairman
24 August 2023

Chief Executive's Review

Strategic execution

FY23 has been a pivotal year for Redcentric, the capability acquisitions of Piksel (Hyper cloud transformation) and 7 Elements (Cyber Security) made in FY22 have been quickly integrated and are providing excellent cross-sell opportunities across the enlarged customer base.

To support and accelerate our acquisition strategy further a banking facility was agreed on 26 April 2022, providing us with significant additional funding at very competitive rates. Under this new four bank syndicate £80m of committed funds are available with a further £20m uncommitted accordion facility available if required.

With the funds in place at the start of FY23, the business completed three acquisitions in quick succession, and by July 2023 had secured the Sungard consultancy business offering enhanced cyber security capability, and the 4D and Sungard Data centre businesses providing significant scale and a blue-chip customer base.

At 31 March 2023, £34.0m of the £80.0m committed facility was net drawn to fund acquisitions.

As a result of these five acquisitions, over 600 customers have been added to our existing base and we exit the year with a revenue run rate (being total contracted monthly revenue plus the delivered one-off revenue) of £160m which represents a 75% increase on FY21, the last full year with no impact of acquisitions. Furthermore, our product and solutions offerings have been strengthened in the highest growing areas of the market, giving us one of the most comprehensive IT and telecommunications product and solution offerings in the market.

Notwithstanding the very material and immediate revenue growth, a return to profitability will take longer to materialise. The very significant and complex synergy and energy efficiency programmes, reflected in the consideration paid for the acquisitions, are planned to complete during the course of FY24 meaning that FY25 will be the first full year that reflects the full benefit of the acquisitions.

Organic growth update

We continue to see strong organic growth, with an increase in net new business (new business plus or minus renewal churn less cancellations and excluding inflationary price increases) in nine of the last ten months to the end of March 2023. Net new business when converted into revenue equates to an organic growth rate of approximately 6%, a level that has not been experienced for a number of years and we expect this level of organic growth to continue into FY24.

The improvement in organic growth reflects the increase in new logos and delivering against the cross-selling opportunities to existing customers as a result of the Group's broader product offering and enlarged customer base.

Integration update

The integration programme is progressing well with total synergies of £22.0m now forecast, £5m ahead of the expectations at the time of the H1 FY23 results. £16.2m of the total synergies have already been actioned and reflected in the run rate, with the balance of £5.8m to be actioned throughout the course of FY24 and effective throughout both FY24 and FY25.

The sale of the Elland data centre assets anticipated for December 2022 did not complete due to buyer funding issues and as a result this facility will now be retained and developed as a long-term strategic asset. The Harrogate data centre will now be closed instead with customer and core equipment transferred to Elland by the end of FY24. Annualised savings of circa £1.4m are anticipated versus the £0.6m expected for Elland, but these savings will now materialise in FY25 rather than FY24.

The bulk of the remaining synergy activity relates to energy conservation measures (new chiller units in Heathrow) and the closure of the Harrogate data centre.

Electricity sourcing & consumption

FY23 has seen the most volatile electricity pricing for a generation, with commodity prices reaching as high as ten times historical averages. Whilst the government's energy bill relief scheme, put in place during the year, did help to reduce costs, the scheme did not cover the full electricity consumption and, as a result, FY23 profits were adversely impacted by £1.7m of higher than anticipated electricity costs.

The Group operates out of eight of its own data centres and has a large (including management) presence in a third-party data centre. In seven out of nine of these data centres, the Group is responsible for the sourcing of electricity. The electricity purchasing cost differences between the data centres are detailed below:

- In the seven data centres where procurement is managed by the Group own-use commodity contracts have been agreed for the whole of FY24 and a large proportion of FY25. The commodity rates achieved are consistent with the Board's expectations and removes the commodity price risk in these data centres until 1 April 2024.

Chief Executive's Review (continued)

- The two data centres where the Group has no control on the procurement of electricity have also locked in forward prices but at rates much higher (c.80%) than those achieved by the Group. Whilst we can pass on price increases to the former Redcentric, Piksel and 4D customer bases, the fixed priced Sungard customer contracts mean that for FY24 there will be £0.9m of increased costs which cannot be passed on to customers. One of these two data centres will be closed by the end of FY24.

Following the year end we have continued to monitor the forward rates for FY25 and beyond and have taken advantage of further reductions in the energy market by agreeing additional own-use commodity contracts for a large proportion of our electricity requirements for FY25.

Following the Sungard DC acquisition, electricity costs have become our largest externally sourced cost item, and in addition to monitoring and reducing price risk we have put considerable effort in to reducing electricity consumption, not only to reduce costs but also significantly reducing our carbon footprint and contributing towards our net zero strategy.

The introduction of cold aisle containment together with some basic housekeeping measures has already reduced consumption within the Heathrow and Woking data centres by a very impressive 16%. Whilst this is an excellent start, further measures including the replacement of inefficient water chillers in Heathrow will be progressed in FY24 accelerating the reduction in consumption significantly.

We are pleased to announce the following results for FY23:

- Revenues of £141.7m (FY22: £93.3m);
- Adjusted EBITDA* of £24.5m (FY22: £23.7m);
- Adjusted operating profit^ of £8.6m (FY22: £15.9m);
- Reported operating loss of £8.9m (FY22: profit of £6.6m);
- Net debt as at 31 March 2023 of £73.0m (31 March 2022: net debt of £16.6m); and
- Adjusted net debt as at 31 March 2023 of £35.6m (31 March 2022: net debt of £1.5m);

*Adjusted EBITDA is EBITDA excluding exceptional items, share-based payments and associated National Insurance. Exceptional items are outlines in note 9.

^Adjusted operating profit is reported operating profit excluding amortisation of intangible assets arising on business combinations, exceptional items and share-based payments.

The net debt position is after dividend payments of £5.6m; the acquisitions of Sungard Consulting and DCs, and 4D Data Centres for a combined cash cost of £26.6m (net of cash acquired); exceptional items largely relating to integration and restructuring costs of £8.1m; capital expenditure of £6.8m; and a working capital deficit due to investment in stock of £1.4m.

These results reflect the contribution from the five acquisitions completed over the last two financial years including a full year of trading from Piksel and 7 Elements, and a partial year's contribution from 4D Data Centres and the two Sungard business and asset acquisitions. The results further reflect the following:

- Higher than anticipated electricity costs of £1.7m, reflecting the impact of the Government Energy Bill Relief Scheme not being applied to overall consumption, the significant increase in non-commodity charges and rephasing of energy efficiency savings as a result of supplier equipment delays.
- Higher than expected software license costs of £0.7m (annualised effect of £1.5m) as a result of the acquired Sungard business not recording platform usage accurately and under reporting license consumption prior to the acquisition.

OTHER UPDATES

Inflation

The business continues to experience widespread inflationary increases across its cost base, primarily wage inflation, electricity costs and software license costs. Furthermore, we have been notified of significant increases in business rates (c.33%) across our data centre portfolio which is anticipated to add c.£0.8m to the FY24 cost base. Although the business can pass on specific increases relating to electricity (with the exception of the Sungard customer base) and license costs periodically, increases relating to general inflation can only be passed on annually.

Contingent consideration

As part of the deal structure for the acquisition of 7 Elements Ltd, contingent consideration of up to £0.45m was included based on the performance of the business in the 13 months to 31 March 2023. As the acquisition has exceeded the targets set, the maximum amount of £0.45m became payable, and was paid on 3 April 2023.

Chief Executive's Review (continued)

Contingent consideration (continued)

The final consideration for the Sungard DCs acquisition is based on the conversion of short-term contracts into contracts with a term of 12 months or more from the date of the acquisition. The fair value at the yearend was £2.75m (undiscounted), based on the expectations at that point. The final position has now been fully crystallised resulting in a payment of £0.4m made in July 2023. The lower payment is the result of a revised position of customer contracts at the anniversary date.

OUTLOOK

Considering the improved electricity purchasing arrangements, customer and supplier price increases effective from 1 April 2023 and completed cost reductions as a result of the synergy programme, we commence FY24 with annualised revenues and adjusted EBITDA of c.£160.0m and c.£29.0m respectively.

The focus for FY24 will be to complete the integration of the recently acquired businesses and to continue to grow the business by capitalising on the excellent opportunities provided by the broader product offerings and increased customer bases which have resulted from the acquisitions undertaken in FY22 and FY23.

Electricity costs remain key to financial performance and we will continue to make significant investments in FY24 to further reduce electricity consumption. This will be achieved by deploying new cooling infrastructure at our flagship data centre in Heathrow. The Company has locked in electricity prices for the majority of FY24 and a large proportion of FY25, and so will not be materially subject to further commodity price volatility in the following two financial years.

With both the synergy and energy efficiency programmes completing during the course of FY24, FY25 will be the first full year that reflects the full benefit of the acquisitions.

Peter Brotherton
Chief Executive Officer
24 August 2023

OUR SERVICE PORTFOLIO

Cyber security

Security Information Event Management (SIEM)

Resilience consulting services

Managed firewalls

DDoS mitigation

Security testing

Managed vulnerability scanning

Incident response

Managed perimeter security service

Scanning & remediation

Data loss prevention

Cloud data protection

Application firewalls

Identity & access management solutions

Endpoint security management

Security monitoring & analytics

Information security management as a service

Information security policy development

Certificate management

Cloud

Digital transformation consultancy

Modern workplace

Colocation

Managed public cloud (Azure & AWS)

Infrastructure as a service

Hybrid cloud

Cloud migration & consultancy

Backup as a service

Platform as a service

Disaster recovery as a service

Virtual desktops

Full stack managed service

OS Level managed service

E-commerce (DC2) & SAP Hybris

Application modernisation

Application services experts

Database administration

AI & machine learning

Connectivity

SD-WAN

Managed WAN

Managed LAN

Network connectivity options

Secure remote access

Internet access

HSCN connectivity

Public cloud connectivity (Azure & AWS)

Managed wireless networking

Cellular MPLS primary & failover

WAN Insight

Communications

Hosted telephony

Unified communications

Microsoft Teams

Webex Teams

Microsoft Teams calling

Call recording & Voice AI

Call reporting

Calls & lines

SIP trunks

CallConnect GP

PCI Comply

Keep my place in the queue / ARC

Omnichannel contact centre

Product and software sales

LAN infrastructure

Telephony infrastructure

On-premises Wi-Fi

On-premises security

IT consultancy services

Implementation services

Maintenance & support services

Hardware – switches, routers, servers, PCs & laptops

Applications & software sales

Microsoft licensing & licence optimisation

Microsoft operating systems

Financial Review

Financial performance measures

	Year ended 31 March 2023 (FY23)	Year ended 31 March 2022 (FY22)	Change
Total revenue	**£141.7m**	£93.3m	51.8%
Recurring revenue[1]	**£128.5m**	£83.0m	54.8%
Recurring revenue percentage[1]	**90.7%**	88.9%	1.8%
Adjusted EBITDA[1]	**£24.5m**	£23.7m	3.3%
Adjusted operating profit[1]	**£8.6m**	£15.9m	(45.6%)
Reported operating (loss)/profit	**(£8.9m)**	£6.6m	(235.3%)
Adjusted cash generated from operations[1]	**£23.1m**	£19.3m	19.6%
Reported cash generated from operations	**£14.8m**	£17.2m	(13.8%)
Net debt[1]	**(£73.0m)**	(£16.6m)	(339.5%)
Adjusted net debt[1]	**(£35.6m)**	(£1.5m)	(2,271.8%)
Adjusted basic earnings per share[1]	**2.66p**	7.68p	(65.3%)
Reported basic (loss)/earnings per share	**(5.94p)**	4.43p	(231.4%)

Percentage changes calculated on absolute values.

[1] For an explanation of the alternative performance measures used in this report, please refer to page 20.

Overview

The results for FY23 have been dominated by the impact of the five acquisitions made since September 2021, and reflect the first full year of conditions from the acquired Piksel and 7 Elements businesses, and a partial year of contributions from the acquired Sungard Consulting, Sungard DC and 4D businesses. The enlarged Group delivered revenue and adjusted EBITDA of £141.7m, and £24.5m respectively, resulting in 51.8% and 3.3% of respective growth. Adjusted net debt has increased to £35.6m reflecting £26.6m of acquisition consideration, in addition to £8.1m of exceptional costs largely relating to the restructuring and integration programmes following the acquisitions. Key considerations in the financial statements include:

1. On 26 April 2022, the Group completed a refinance of its debt facilities that were due to mature on 30 June 2022. The new debt facilities consist of an £80m revolving credit facility ("RCF"), £7m asset financing facility and a £20m uncommitted accordion facility and are provided by a new four bank group consisting of NatWest, Barclays, Bank of Ireland, and Silicon Valley Bank (now under the HSBC group) (the "New Facility"), with the asset financing facility provided by Lombard. The New Facility has an initial maturity date of 26 April 2025 with options to extend by a further one or two years. The borrowing cost of the RCF is determined by the level of the Company leverage and has a borrowing cost of 205 basis points over SONIA at the Company's yearend leverage levels. An arrangement fee of 75 basis points was payable upfront, in addition to a commitment fee on the undrawn portion of the new RCF, on equivalent terms to the previous facility. The New Facility provides the Group with additional liquidity to be used for working capital purposes and to fund acquisitions.

Financial Review (continued)

2. The acquisition on 7 June 2022 by the Group's trading subsidiary Redcentric Solutions Limited of the consulting business from Sungard Availability Services (UK) Limited (in administration) for £4.2m consideration paid in cash. The business provides services in respect of business continuity, cloud and infrastructure, cyber resilience, disaster recovery and hybrid cloud transformation services alongside the provision and operation of Cloud related services. This acquisition is considered to be a linked transaction with the DC acquisition as mentioned in note 4 below, and also refer to note 2.1 for further consideration of the accounting treatment.

3. The acquisition on 27 June 2022 by Redcentric Solutions Limited for 100% of the share capital of 4D Data Centres Limited ("4D") for £10.1m consideration paid in cash. The business provides colocation, cloud and connectivity services to mid-market customers. The primary purpose of the business combination is to scale the Group's existing revenues in this area with significant synergies expected as the acquisition is integrated into the Group. On 28 February 2023, the trade, assets and liabilities of 4D were hived in to Redcentric Solutions Limited.

4. The acquisition on 6 July 2022 by Redcentric Solutions Limited for certain business and assets relating to three data centres "DCs" from Sungard Availability Services (UK) Limited (in administration) for initial consideration of £10.1m paid in cash and a cash prepayment of £3.4m, with contingent consideration at a maximum potential value of £19.0m depending on customer retention and certain performance criteria in the 12-month period post-acquisition.

The key financial highlights are as follows:

- Total revenue growth of 51.8% to £141.7m (FY22: £93.3m).
- Recurring revenue grew by 54.8% to £128.5m, with recurring revenue representing 90.7% of the total revenue (FY22: £83.0m / 88.9%).
- Gross profit has increased by 69.5% to £100.9m.
- Adjusted EBITDA of £24.5m is 3.3% ahead of FY22.
- Adjusted operating profit decreased by £7.3m to £8.6m (45.6% decrease).
- Adjusted net debt as at 31 March 2023 was £35.6m, excluding £36.9m of IFRS16 lease liabilities that were previously classified as operating leases under IAS17 and £0.5m of supplier loans.
- Reported operating profit reduced by £15.5m to a loss of £8.9m.

LTC

New Redcentric data centre facilities at London Technology Centre

Financial Review (continued)

Revenue

Revenue for FY23 was generated wholly from the UK and is analysed as follows:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000	Change £000	Change %
Recurring revenue[1]	**128,461**	82,965	45,496	54.8%
Product revenue	**7,144**	6,187	957	15.5%
Services revenue	**6,069**	4,176	1,893	45.3%
Total revenue	**141,674**	93,328	48,346	51.8%

[1] For an explanation of the alternative performance measures used in this report, please refer to page 14.

Total revenue increased by £48.3m compared to FY22, impacted by: incremental revenue in FY23 generated by the acquisitions of Sungard DCs, 4D and Sungard consultancy, and the first full year of revenue generated from FY22 acquisitions in Piksel and 7 Elements.

Revenue is analysed into the following categories:

- Recurring revenue has increased 54.8% to £128.5m (FY22: £83.0m) from new contracts with Sungard DCs and 4D.
- Non-recurring product revenue has increased £0.9m to £7.1m (FY22: £6.2m) from sales with customers introduced through the current year acquisitions.
- Non-recurring services revenue increased to £6.1m (FY22: £4.2m), reflecting increased activity on new projects.

Gross profit

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000	Change £000	Change %
Gross Profit	**100,911**	59,550	41,361	69.5%
Gross Margin	**71.2%**	63.8%	N/A	N/A

Gross profit increased by 69.5% (£41.4m) reflecting the Group's increased revenue and contribution from higher margin 4D and Sungard Consulting acquisitions.

Financial Review (continued)

Adjusted operating costs[1]

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

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000	Change £'000	Change %
UK employee costs	**34,482**	21,369	13,113	61.4%
Office and data centre costs	**25,335**	4,411	20,924	474.3%
Network and equipment costs	**11,824**	7,299	4,525	62.0%
Other sales, general and administration costs	**3,364**	1,553	1,811	116.6%
Offshore costs	**1,414**	1,205	209	17.3%
Total adjusted operating costs	**76,419**	35,837	40,582	113.2%

[1] For an explanation of the alternative performance measures used in this report, please refer to page 20.

Total adjusted operating costs for FY23 were 113.2% (£40.6m) higher than prior year, reflecting:

- employee costs increased £13.1m (61.4%) due to additional employees following the Sungard and 4D acquisitions;
- office and data centre costs increased by £20.9m, primarily due to the impact of increased electricity costs as several electricity supply contract renewals fell due during the UK energy crisis, and the increase in the number of data centres through acquisitions; and
- network and equipment costs increased by £4.5m, and other sales, general and administration costs are up £1.8m, both due to increased requirements from acquisitions.

Employees

	Year ended 31 March 2023 (Number)	Year ended 31 March 2022 (Number)	Variance (Number)
Year-end headcount			
UK	**540**	376	164
India	**98**	91	7
Total employees	**638**	467	171

	Year ended 31 March 2023 (Number)	Year ended 31 March 2022 (Number)	Variance (Number)
Average headcount			
UK	**491**	386	105
India	**97**	100	(3)
Total employees	**588**	486	102

Financial Review (continued)

Adjusted EBITDA[1]

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.

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Reported operating (loss)/profit	**(8,939)**	6,607
Amortisation of intangible assets arising on business combinations	**8,183**	6,498
Amortisation of other intangible assets	**590**	475
Depreciation on tangible assets	**4,636**	2,745
Depreciation on ROU assets	**10,617**	4,578
EBITDA	**15,087**	20,903
Exceptional items:	**8,149**	1,629
Acquisition fees	**695**	
Integration costs	**5,965**	
Costs relating to the settlement of an historical supplier dispute	**809**	
Cloud computing costs	**680**	
Share-based payments and associated National Insurance	**1,256**	1,181
Adjusted EBITDA[1]	**24,492**	23,713

[1] For an explanation of the alternative performance measures used in this report, please refer to page 20.

- Adjusted EBITDA increased by 3.3% to £24.5m, £0.8m higher than prior year. FY23 includes 9 months of contributions from the Sungard and 4D acquisitions, as well as the first full year of Piksel and 7 Elements.

Taxation, interest and dividend

The tax charge for the year was a credit of £3.2m (FY22: a credit of £1.4m), comprising an income tax charge of £0.1m (FY22: a charge of £0.4m), and a deferred tax credit of £3.3m (FY22: a credit of £1.8m).

Net finance costs for the year were £3.5m (FY22: £1.1m), including £1.2m (FY22: £1.0m) of interest payable on leases of which £1.2m (FY22: £0.8m) related to leases previously recognised as operating leases under IAS17.

During the year, the Group paid an interim dividend for FY23 of 1.2p per share, totalling £1.9m as detailed in note 14 (FY22: 1.2p per share).

A final dividend payment of 2.4p per share is expected to be paid on 19 January 2024, subject to approval at the Company's AGM, to shareholders on the register at the close of business on 8 December 2023 with shares going ex-dividend on 7 December 2023. The last day for Dividend Reinvestment Plan elections is 27 December 2023.

Financial Review (continued)

Net debt

During the year, net debt increased from £16.6m to £73.0m as at 31 March 2023, with the movements shown in the tables below:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Operating (loss)/profit	**(8,939)**	6,607
Depreciation and amortisation	**24,026**	14,296
Exceptional items	**8,149**	1,629
Share based payments	**1,256**	1,181
Adjusted EBITDA[1]	**24,492**	23,713
Working capital movements	**(1,410)**	(4,017)
Transfer from intangible assets to cost of sales	**-**	140
Non-cash provision movements	**-**	(577)
Adjusted cash generated from operations	**23,082**	19,259
Cash conversion	***94.2%***	*81.2%*
Capital expenditure - cash purchases	**(6,374)**	(2,765)
Capital expenditure - finance lease purchases	**-**	(438)
Proceeds from sale of fixed asset - sale and leaseback	**966**	-
Net capital expenditure	**(5,408)**	(3,203)
Corporation tax (paid) / received	**(670)**	246
Interest paid	**(1,795)**	(51)
Loan arrangement fees/fee amortisation	**(291)**	-
Finance lease/term loan interest	**(1,248)**	(885)
Effect of exchange rates	**(101)**	27
Other movements in net debt	**(4,105)**	(663)
Normalised net debt movement[1]	**13,569**	15,393
Cash cost of exceptional items	**(8,258)**	(2,091)
Share buyback	**-**	(2,666)
Non-capitalised finance leases purchases	**-**	(145)
Acquisition of subsidiaries (net of cash acquired)	**(26,606)**	(10,422)
Cash received on disposal of non-core business unit	**-**	5,750
IFRS 16 lease additions	**(28,314)**	(2,094)
IFRS 16 lease additions on acquisition	**(1,976)**	-
IFRS 16 lease disposals	**-**	813
Remeasurement relating to lease modification	**629**	-
Dividends	**(5,593)**	(5,627)
Disposal of treasury shares on exercise of share options	**229**	-
Cash received on exercise of share options	**-**	12
Share issues	**-**	1
	(69,889)	(16,469)
Increase in net debt	**(56,320)**	(1,076)
Net debt at the beginning of the period	**(16,645)**	(15,569)
Net debt at the end of the period	**(72,965)**	(16,645)

[1] For an explanation of the alternative performance measures used in this report, please refer to page 20. Exceptional items are outlines in note 9.

Financial Review (continued)

	As at 31 March 2021 £000	Net cash flow £000	Net non-cash flow £000	As at 31 March 2022 £000	**Net cash flow £000**	**Net non-cash flow £000**	**As at 31 March 2023 £000**
Cash	5,250	(3,473)	27	1,804	**(335)**	**(103)**	**1,366**
RCF	-	-	-	-	**(31,537)**	**(2,094)**	**(33,631)**
Term Loan	(1,491)	532	(45)	(1,004)	**532**	**(24)**	**(496)**
Lease Liabilities	(19,328)	3,701	(1,818)	(17,445)	**(21,542)**	**(1,217)**	**(40,204)**
	(15,569)	760	(1,836)	(16,645)	**(52,882)**	**(3,438)**	**(72,965)**

Included in lease liabilities at 31 March 2023 are £36.9m (FY22: £14.1m) of IFRS 16 lease liabilities that were previously classified as operating leases under IAS17 and £0.5m (FY22: £1.0m) of term loans. Other movements reflect acquisition of subsidiaries of £26.6m, capital expenditure of £6.8m and £5.6m on dividends.

Trade receivables and payables

In the year, focus remained on maintaining a strong ageing profile with a low level of aged debt. At the year-end, 96% of gross trade debt was current or less than 30 days overdue (FY22: 97%).

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Current	**18,450**	8,736
1 to 30 days overdue	**2,212**	1,997
31 to 60 days overdue	**557**	452
61 to 90 days overdue	**283**	80
91 to 180 days overdue	**194**	19
> 180 days overdue	**(240)**	(172)
Gross trade debtors	**21,456**	11,112
Provisions	**(1,251)**	(884)
Net trade debtors	**20,205**	10,228

Trade debtor days were 46 at 31 March 2023 compared to 36 at 31 March 2022. Trade debtor days are calculated as gross trade debtors divided by revenue (incl. VAT) multiplied by 365.

Trade payable days were 42 at 31 March 2023 compared to 37 as at 31 March 2022. Trade payable days are calculated as trade payables divided by total purchases (cost of sales and operating expenditure) multiplied by 365.

Financial Review (continued)

Financing

In the year, focus remained on maintaining a strong ageing profile with a low level of aged debt. At the year-end, 96% of debt was current or less than 30 days overdue (FY22: 97%).

	31 March 2023			31 March 2022		
	Available £000	**Drawn £000**	**Undrawn £000**	Available £000	Drawn £000	Undrawn £000
Committed						
- Revolving credit facility	**80,000**	**34,000**	**46,000**	5,000	-	5,000
- Term Loans	**496**	**496**	**-**	1,004	1,004	-
- Leases	**40,204**	**40,204**	**-**	17,445	17,445	-
- Asset financing facility	**7,000**	**2,309**	**4,691**	7,000	1,100	5,900
	127,700	**77,009**	**50,691**	30,449	19,549	10,900
Uncommitted						
- Bank overdraft	**-**	**-**	**-**	-	-	-
- Accordion facility	**20,000**	**-**	**20,000**	20,000	-	20,000
	20,000	**-**	**20,000**	20,000	-	20,000
Total borrowing facilities	**147,700**	**77,009**	**70,691**	50,449	19,549	30,900

Uncommitted facilities represent facilities available to the Group, but which can be withdrawn by the lender and hence are not within the Group's control.

As at 31 March 2023, the Group was party to £87m of banking facilities, comprising a Revolving Credit Facility of £80m (net £34m utilised at 31 March 2023) and a £7.0m Asset Financing Facility (£2.3m utilised at 31 March 2023). As at 31 March 2023, these facilities are due to expire on 25 April 2025.

The borrowing cost of the RCF is determined by the Group's leverage and has a borrowing cost of 205 basis points over SONIA at the Group's current leverage levels. A commitment fee is payable on the undrawn portion of the RCF at 82 basis points, being 40% of the borrowing cost.

David Senior
Chief Financial Officer
24 August 2023

Alternative Performance Measures

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

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

Recurring 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 2023 £000	Year ended 31 March 2022 £000
Reported revenue	**141,674**	93,328
Non-recurring revenue	**(13,213)**	(10,363)
Recurring revenue	**128,461**	82,965

Recurring revenue percentage is the percentage of recurring revenue as a proportion of total revenue.

Recurring revenue makes up 91% of total revenue in FY23, an increase of 1.8ppts from prior year (89%).

Maintenance capital expenditure

Maintenance capital expenditure is the capital expenditure that is incurred in support of the Group's underlying infrastructure rather than in support of specific customer contracts. This metric shows the level of internal investment the Group is making through capital expenditure. As the measure explains and analyses routine capital expenditure, land and buildings (including any associated assets relating to dilapidation provisions) and sale and lease back additions are excluded due to the infrequency of this expenditure occurring. Customer capital expenditure relates to assets utilised by the Group in delivering managed services to our customers.

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
- Property plant and equipment additions – excluding additions on acquisition (note 16)	**5,505**	2,264
- Intangible additions – excluding additions on acquisition (note 15)	**869**	502
- Right of use asset additions – excluding land and buildings and sale and leasebacks (note 17)	**391**	460
Reported capital expenditure incurred	**6,765**	3,226
Customer capital expenditure incurred (notes 15 & 16)	**(3,234)**	(1,076)
Maintenance capital expenditure incurred	**3,531**	2,150

Reported capital expenditure of £6.8m has increased by £3.5m (FY22: £3.2m) driven by additions to PPE for efficiency measures in the data centres. Customer capital expenditure has increased to £3.2m (FY22: £1.1m) to support revenue growth. We will continue to monitor the Group's capital requirements and invest in the business when appropriate.

Alternative Performance Measures (continued)

EBITDA and 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.

The Board considers that this metric provides a useful measure of assessing trading performance of the Group as it excludes items which impact financial performance such as exceptional costs and the amortisation of acquired intangibles arising from business combinations which varies year on year dependent on the timing and size of any acquisitions.

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Reported operating (loss)/profit	**(8,939)**	6,607
Amortisation of intangible assets arising on business combinations	**8,183**	6,498
Amortisation of other intangible assets	**590**	475
Depreciation on tangible assets	**4,636**	2,745
Depreciation on ROU assets	**10,617**	4,578
EBITDA	**15,087**	20,903
Exceptional items:	**8,149**	1,629
Acquisition fees	695	
Integration costs	5,965	
Costs relating to the settlement of an historical supplier dispute	809	
Cloud computing costs	680	
Share-based payments and associated National Insurance	**1,256**	1,181
Adjusted EBITDA	**24,492**	23,713

Adjusted EBITDA increased to £24.5m, £0.8m higher than prior year, with adjusted EBITDA margin of 17.3% (down from 25.4%).

Adjusted operating profit

Adjusted operating profit is operating profit excluding amortisation on acquired intangibles, exceptional items and share-based payments. The same adjustments are also made in determining the adjusted operating profit margin and in determining adjusted earnings per share ("EPS").

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Reported operating (loss)/profit	**(8,939)**	6,607
Amortisation of intangible assets arising on business combinations	**8,183**	6,498
Exceptional items	**8,149**	1,629
Share-based payments	**1,256**	1,181
Adjusted operating profit	**8,649**	15,915

The EPS calculation further adjusts for the tax impact of the operating profit adjustments, presented in note 13. This metric is used within the Group's dividend policy and is therefore relevant for our shareholders. Share based payments are removed for adjusted operating profit as they are not reflective of trading.

Alternative Performance Measures (continued)

Adjusted operating costs

Adjusted operating costs are operating costs less depreciation, amortisation, exceptional items, share-based payments and foreign exchange. This metric shows the trading operating expenditure of the Group, excluding non-trading and non-recurring items which impact financial performance. These are controllable operating costs which provide investors with useful information about how the Group is managing its expenditure.

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Reported operating expenditure	**109,938**	53,046
Depreciation ROU assets	**(10,617)**	(4,578)
Depreciation of tangible assets	**(4,636)**	(2,745)
Amortisation of intangibles arising on business combinations	**(8,183)**	(6,498)
Amortisation of other intangible assets	**(590)**	(475)
Exceptional items	**(8,149)**	(1,629)
Other operating income	**(88)**	(103)
Share-based payments	**(1,256)**	(1,181)
Adjusted operating expenditure	**76,419**	35,837

Adjusted cash generated from operations

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

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Reported cash generated from operations	**14,824**	17,168
Cash costs of exceptional items	**8,258**	2,091
Adjusted cash generated from operations	**23,082**	19,259

Alternative Performance Measures (continued)

Adjusted net (debt)/cash

Adjusted net cash/debt is reported net debt (borrowings net of cash) less supplier loans and less lease liabilities that would have been classified as operating leases under IAS17 and is a measure reviewed by the Group's banking syndicate as part of covenant compliance as detailed in note 24.

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Reported net debt	**(72,965)**	(16,645)
Term loans	**495**	1,004
Lease liabilities that would have been classified as operating leases under IAS 17	**36,891**	14,096
Adjusted net (debt)/cash	**(35,579)**	(1,545)

Normalised net debt movement

The normalised net debt movement, as summarised in the net debt table on page 11, details the movement in net debt before one-off (exceptional) amounts and is therefore a useful indicator to the potential movement in net debt in FY23.

David Senior
Chief Financial Officer
24 August 2023

OUR AIM IS TO BE A TRUSTED PARTNER TO ALL OUR CUSTOMERS

"We were looking for a like-for-like service, but got a lot more for less: fully managed IaaS with Disaster Recovery, cloud backup and support we can rely on. Migration to Redcentric's IaaS platform was completed in just four weeks. The team were absolutely amazing!"

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 Group provides a broad range of managed services across its three core specialist areas of Cloud, Connectivity and Communications, and has formed a divisional structure to ensure each area has dedicated focus with appropriately skilled resource. To complete our product offering, the Group acquired a cyber security business (7 Elements) and is building additional cyber security capabilities into its product portfolio.

The Group 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.

The Group 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, the Group aims to attract new customers and to deepen and broaden its relationships with existing customers.

The Board's strategy for growth comprises:

- identify acquisition opportunities for both scale and capability;
- 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 Report. More information on how the Directors have discharged their duties under section 172 of the Companies Act 2006 is also available in the Strategic Report on pages 1 to 27 and Corporate Governance Report on pages 43 to 50.

Colleagues

- Colleague briefings – monthly colleague briefing sessions are held with the operating board of the Company ("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 by group wide internal emails and follow up all colleague calls. There are also a number of communications champions across the business who meet monthly to ensure the Company's commitment to two-way communication with colleagues is met and continually enhance and develop its communications strategy.

- Engagement survey - We have finalised the action plan following the last colleague survey, ahead of the launch of a further all colleague survey to ensure that the views of the enlarged business and all colleagues that have joined through recent acquisitions are captured.

- Learning management – we have continued to enhance our online learning management system over the last twelve months, introducing additional learning content. In addition, we have launched a partnership with LinkedIn Learning through which colleagues have exclusive access to tools to support their personal and professional development.

- Colleague recognition – we continue to recognise the Company's core values through our recognition scheme – the Extra Mile Awards and also have weekly recognition of exceptional performance of colleagues.

- Colleague support - we have continued to focus on colleague well-being and have run a number of initiatives to ensure our colleagues are kept engaged, supported and connected to the business. We have appointed and trained a group of mental health ambassadors and carried out a number of mental health awareness activities, including holding webinars or topics such as managing stress and positive thinking, office lunchtime walks, complimentary on-site massages by qualified therapists, regular circulation of well-being tips and offering resilience building courses. To assist colleagues with their physical well-being, we have run a number of programmes focusing on health, fitness and diet and also offer support on health costs. Recognising the need to support colleagues' financial well-being, we have run a mortgage surgery where colleagues have access to qualified mortgage advisers to discuss mortgage needs and issues in confidence. In addition, for the first time, the Group held a number of menopause awareness events, for both female and male colleagues.

- Electric car scheme – the Group has introduced a new electric car scheme for colleagues, in conjunction with a third-party scheme provider, enabling colleagues to use salary sacrifice and make considerable savings on the purchase of an electric car.

- Share schemes – the Company has in place an HMRC approved Save-As-You-Earn option plan ("SAYE") to enable colleagues to become personally invested as shareholders of the Group. The Company invites participation on an annual basis.

- Further information is included in the Corporate Responsibility section of this Report on pages 23 to 26 and in the Corporate Governance Report on pages 43 to 63.

Section 172 Statement – Our Stakeholders (continued)

Customers

- Customer surveys - a biannual net promoter score (“NPS”) survey is carried out to gain customer feedback and test customers’ opinions on service experience. There is also a monthly NPS survey programme run by the Company’s service delivery management team to customers directly following a service review – this ensures a high return rate and continuous feedback from our customers continually. The results of the monthly and biannual survey scores are discussed in monthly service improvement meetings with all department heads, in order that any trends and areas of focus can be addressed.

- Monthly and quarterly service reviews – regular service reviews are held with customers, led by service delivery managers and account managers, with a focus on service experience and further support customers may require.

- Daily social media updates – the Group’s social media presence and activity has continued to increase and improve during the year. At least daily updates are provided through the Company’s corporate social media channels (LinkedIn, Twitter and Facebook) and contain key updates and customer case studies. These are shared by customer facing employees to ensure as wide a reach as possible to keep customers appraised of the Company’s news and offering.

- Customer scoring – within the Group’s support systems, the Group reaches out to customers on an ongoing basis to score the support service they have received, with follow up actions taken by the support team based on each customer’s score and requirements.

- Customer service management solution – during the year, the Group completed the launch of Phase 2 of its new service management solution for customers, called SMAX, which replaced HP service manager and Phase 1 of which was launched in 2022. SMAX has continued to enable the Group to improve how customers are supported, through its a customer facing portal. All customers acquired from 4D and Sungard have been migrated onto SMAX, to ensure that all customers are supported from the same platform and a consistent approach applied to supporting customers. The SMAX offering continues to be developed with a mobile app version being created for release to customers FY24, ensuring ease of access to the support system.

- Targeted customer marketing and communications – during the year, the Group’s marketing team has continued to enhance its customer communications and the way in which campaigns, product launches and solution migrations are communicated. Targeted and personalised communications are agreed between the Group’s marketing team and customers’ account and service delivery managers, to ensure that the right customers are informed and guided through any changes which may affect them.

- Solution webinar series and regional roadshows – these have been introduced during FY23 with a focus on the legacy Redcentric customer base, to inform them of the Group’s expanded portfolio and capabilities and to ensure they are fully informed of the services available and contact points.

Suppliers

- The Board is committed to fostering and developing effective partnerships with the Group’s suppliers, based on forward planning, collaboration and trust. These supplier partnerships are crucial in delivering many of our services and in developing them further. The supplier partnerships help the Group deliver value and quality to its customers and help its partners to develop and grow.

- The Group has in place an annual programme of regular engagement and communication with all suppliers. There is a particular emphasis on key strategic partners, each of which has an annual review and other regular check-ins which involve all relevant departments across the Company.

- The Group continues to invest into its supply chain management with the appointment of a new Procurement and Supply Chain Director who is implementing a new vendor management framework to drive both supply chain effectiveness and efficiencies but also enhance the mutual supplier value creation through innovation and collaboration with ‘ecosystem’ partners.

- The Company has given additional focus to the suppliers taken on following the acquisitions of 4D and Sungard DCs and those whose business has grown as a result of the acquisition, notably carriers and AWS. As part of integration following these acquisitions, the Group has sought to work with suppliers to consolidate contracts with existing suppliers and to engage and build relationships with new suppliers.

Section 172 Statement – Our Stakeholders (continued)

Suppliers (continued)

- The Company has also continued to give additional focus to suppliers in the faster growing sectors of our market, such as cloud, security and managed services, driven by customer requirements.

- Following on from the work in FY22 with the Group's supplier base in reviewing contractual terms, this work has continued with the enlarged supplier base to ensure all suppliers are governed by consistent terms and conditions of trading, modern slavery processes, anti-bribery compliance and ISO requirements.

- Some of the Group's strategic partnerships are listed below:
  - Microsoft – Application Development, Application Integration, Cloud Platform, Cloud Productivity, DevOps (all GOLD); Content and Collaboration, Data Platform, Datacentre, Security (all SILVER);
  - Cisco – GOLD;
  - Hpe – Silver PRSP (Partner Ready Service Provider);
  - Citrix – CSPP (Citrix Solutions Provider Programme);
  - VM Ware;
  - Fortinet;
  - British Telecom and
  - Virgin Media Business.

Shareholders

- Analysts and investor meetings – the Chief Executive Officer and Chief Financial Officer hold analyst and investor roadshow meetings throughout the year, particularly following the release of the Company's interim and full year results and feedback from those meetings is shared with the Board. In FY23, a full schedule of roadshows took place with a number of these taking place in person for the first time since the pandemic.

- The Company's AGM is a key opportunity for engagement between the Board and shareholders, particularly private shareholders. In FY23, Redcentric was pleased to once again hold a face-to-face AGM, but shareholders were also again given the opportunity to submit questions for the Board ahead of the AGM in the event they were unable or unwilling to attend in person.

- 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 pages 43 to 63.

Environment

- The Company has maintained its ISO 14001:2015 environmental management accreditation, through which it enhances environmental performance, fulfils its compliance obligations, and achieves its environmental objectives.

- Following the acquisitions completed in FY23, particularly the data centres acquired from Sungard and 4D, the Company has undertaken a number of energy conservation measures in relation to its data centres, including the introduction of cold aisle containment and basic energy-efficient housekeeping measures in Hounslow, water chiller replacement and investment work to prepare for the introduction of solar panels. In addition, work has started to consolidate data centres with the closure of the Harrogate data centre, to reduce the Group's data centre footprint and consolidate into the more efficient Elland site.

- The Group's hybrid working policy, permanently introduced across the Group in FY22, has continued to positively impact environmental performance through reduced office space energy usage and travel.

- The Group launched its electric car salary sacrifice scheme, open to all colleagues, as part of its commitment to reduce the Group's carbon footprint.

- In FY23, the Group created a new Sustainability Committee dedicated to environmental, social and governance ("ESG") issues, with representation from across the business. The committee, together with assistance from third party experts appointed specifically to assist with the Group's ESG initiatives, has continued to further build on the initial work undertaken in FY22 is assessing the Group's position on ESG issues and develop the roadmap and actions for delivering the Group's ESG strategy.

Section 172 Statement – Our Stakeholders (continued)

Environment (continued)

- Redcentric has continued to engage with third-party specialists to support the Group in calculating Scope 3 emissions, developing a net zero strategy, and to produce its first voluntary Task Force for Climate-Related Financial Disclosures ("TCFD") report, which can be found on page 27 of this Report. This is a significant step in the Group's commitment to the environment and in support of the Government's UK-wide target to reach net zero by 2050 and the Group is pleased to have produced the TCFD on a voluntary basis this year, ahead of compulsory reporting for the next financial year.

- Further information is included in the Sustainability section of the Report on pages 27-42.

Newly refurbished data cabinets offering colo and private cages - London Technology Centre

Risk management

The Group takes a holistic and consistent approach to the identification, monitoring and management of risk across our entire business. Risk underpins our company values and enables our strategies to succeed.

Our risk framework is mature and embedded with the business, maintaining confidence levels across our leadership team. It provides the capability to seamlessly continue to focus on our customers alongside delivering strategies for product enhancement and business growth.

How do we manage our risks?

Risks are managed on a tiered hierarchy, with each division of the business owning and managing risk to their direct areas, measured scientifically and consistently throughout. High value risks are cascaded upwards to operating Board level and then beyond that to Group level alongside principal risks. This allows the right level of visibility, ownership, and management in the right places with complete consistency and transparency.

All the Group's employees are encouraged to identify, record, monitor and manage risks at local level, empowered to take ownership whilst management oversight is maintained throughout with continued regular review at all levels.

Our principal risks

Environmental impact

The Board very actively monitor both sides of environmental risk. One side being the Group's impact on the environment, including social, geographical, direct and indirect emissions and overall sustainability. As our customers seek to reduce their own emissions, demand for our propositions and services change, the Board recognises the importance of our corporate responsibilities to do everything possible to reduce the impact the Group has on the environment.

The other side of environmental impact being all aspects of potential impact to Group functions – including environmental disaster – that may impact on our ability to maintain services and keep our customers, our sites and our workforce safe. This is an increasing risk and gains a lot of focus by the Board as the physical impacts of climate change and the actions taken by governments and society to try and limit global warming.

The Group is managed to a recognised environment management standard and maintains an annual set of environmental objectives to measure and maximise power efficiency across sites, reduce business travel, reduce use of paper and physical peripheries, reduce waste and proactively offset our carbon emissions through carbon reduction planning strategy.

Technology and cyber-security

The market for the Group's services is in a state of constant innovation and change, alongside a huge growth in capability through acquisition, increasing the risks level. The nature of the Group's services means that they are exposed to an ever-increasing risk of cyber-attack. Alongside maintaining constant, pro-active vigilance against such risks, the Group maintains membership of some of the highest levels of security accreditation as part of the service it offers its customers. Over the past year, the Group has grown its security capabilities, both internally and externally facing. This helps to meet the ever-increasing threats placed upon the industry in general and globally. The focus here and current mitigations not only allows the Group to protect itself in the best ways possible, but also offers this capability directly to customers, helping them with their own internal risk.

Business continuity

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 a variety of risks to business continuity through infrastructure failure, loss of physical site, logical access failures and impact to its people. A critical element of the Group's operating methodologies and procedures is to mitigate such risks through the careful construction, maintenance and management of all elements of Business continuity, adhering to industry standard methodology. Operating regular externally audited exercises, maintaining continuity plans across all areas alongside our fully resilient technical landscape with regular testing of back-up and recovery plans.

Business growth

Acquiring differing businesses with differing technologies, people, competencies and processes creates risk to both customers and services being acquired, and the Group's existing operating model. With our increasing size through recently executed growth strategies, we strive to ensure acquisitions are handled appropriately from the outset, as demonstrated through activity in FY23. The Group consider this risk split into three main areas with the following mitigations in place:

Risk management (continued)

Business growth (continued)

- Acquisition target risk – the risk that the Group are unable to identify suitable acquisition targets. This risk is managed by a combination of internal resource dedicated to identifying targets complemented by strong relationships with external advisors.
- Acquisition integration risk – the risk that completed acquisitions are not integrated into the underlying business in an efficient or effective way leading to potential loss of customers and employees from the acquired business. The risk is managed by detailed planning, including active participation from the vendors to ensure acquisitions are integrated effectively.
- Post-acquisition performance risk – the risk that the acquired business may not perform as well as expected or synergies may not be delivered as planned. This has the potential to adversely impact both cashflow and profits post-acquisition. Due diligence and integration planning help manage this risk including the use of experts throughout the acquisition process.

The Group manages our growth risks by regular reviews of the operational structure and resource required to deliver to customers without degrading service.

Workforce

As a service provider the Group is dependent on the skill and experience of its established workforce. The Group could be adversely impacted if employee levels are not maintained. The Group aims to recruit suitably skilled and experienced employee by offering a challenging and rewarding work environment with appropriate remuneration packages relative to their skills and experience. The Group has offices in multiple locations which helps to access talent pools in various locations across the country.

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. The Board considers the Group is relatively protected against significant customer risk due to the Group's diverse customer base, however loss of a major contract remains a principal risk, as discussed below. At the date of approval of these financial statements the macro-economic conditions remain unpredictable and as such is seen as an increasing risk to the business which the board continue to closely review.

Loss of major contract

Failure to successfully manage our large, significant and complex clients could lead to a loss of significant revenue and possible reputational damage. To address this risk, the Group pro-actively maintain Sales Management Plans, hold regular customer meetings by account teams, aligns service delivery to sales in order to support both ours and our customers strategies. The Group also operates a meaningful and accurate customer satisfaction methodology with feedback loop.

Competition and market pressures

The Group 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 its 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. Capability and scale acquisitions are both expected to further strengthen the Group's positioning within the marketplace through competitive pricing (scale) and additional services (capability).

Corporate Responsibility

Our Colleagues

FY23 is a year in which we have been focused on the onboarding and integration of our new businesses and colleagues. Our colleagues have been relentlessly focused on maintaining our high standards of service and support whilst also ensuring a seamless transition for all our new customers into the Redcentric business in addition to welcoming, supporting and integrating our new colleagues.

All our new colleagues have now been fully set up on our people system and propositions and we are really excited about working with them moving forwards and continuing to create one new, combined Redcentric team.

In FY23 following the acquisitions we have continued to evolve our operating model to meet the needs of our business and customers. We have created a new operational division to focus on meeting the security needs of existing and new customers, establishing a dedicated security division which we are intending to grow significantly over the coming year. The investment in our structures at the end of FY22 is, as expected, supporting both our solutions and service aspirations. To ensure the highest standards of service for our business we have combined our support and service teams to create one centre of excellence which supports customers across all businesses. Investment in our CTO structures is also paying dividends and we are excited about a number of new initiatives that will shortly be coming to fruition.

Whilst the main focus of the HR team has been on boarding and integration, we have also continued to focus on our employment proposition, making further enhancements to our HR system and people policies to further enable our employees to take control of their working experience. We have maintained and are committed to maintain our new hybrid working model which, in addition to our new office locations, has given us access to a much broader geographical talent pool.

I would like to express my personal thanks for the commitment and dedication that each and every one of our colleagues has shown over what has been a very busy but exciting year. The progress we have made has been phenomenal and that quite simply is down to the passion, enthusiasm and focus of our colleagues.

Listening to our Colleagues

In FY20 we launched an ongoing listening programme to ensure we had the opportunity to hear and understand the views of each and every colleague in our business. As a result of this programme, we have already introduced a number of new people programmes and initiatives over the last 2 years and we will continue to evolve these in tandem with feedback from our teams.

We are committed to continuing to listen to the views of our colleagues and have recently launched our latest colleague survey, running across all colleagues and business heritages.

We will receive the results over the next 4 weeks and will be sharing the feedback with our colleagues from September, ahead of commencing a new programme of activity in response to what our colleagues have told us.

A number of the initiatives we have rolled out to existing and new colleagues include:

- Our Group-wide vision, mission and values which are fully embedded in our performance and recognition schemes
- Our online learning management system with additional content to support our colleague's development and continued investment in supporting our colleagues in achieving industry recognised accreditations that are critical to our business.
- Our online performance and development and recognition systems which form part of Peoplecentric, our HR system, enabling colleagues with easy one-stop access to their objective and development actions, as well as the ability to quickly recognise other colleagues more easily.
- Access to hybrid working, giving colleagues additional flexibility to work where they will best achieve their daily activities.
- Investment in the roll out of LinkedIn Learning, supporting personal and professional development.
- A new externally hosted whistleblowing helpline to give our colleagues enhanced confidence in raising and reporting any areas of concern confidentially.
- Continued access to all our internal communications, keeping our teams connected and engaged with monthly all colleague calls and our weekly recognition shout outs.

Corporate Responsibility

Our Colleagues (continued)

Wellbeing

The physical, emotional and financial wellbeing of our colleagues is a key priority for us, especially in response to the current cost of living crisis which is impacting all our colleagues and we are continuing to explore new ways to support our colleagues with this.

Physical Wellbeing

All colleagues have access to our private medical and permanent health insurance schemes to give peace of mind and security, with the knowledge help is there if required. In addition, we offer a scheme supporting discounts on dental care, physiotherapy and a range of other health discounts for our colleagues. We have run a number of programmes over the last 12 months including focus on men's health, women's health, online fitness and eating healthily.

Emotional Wellbeing

We have continued and will continue to run our time to talk programme which comprises of a number of access routes for mental health support, led by a number of qualified mental health first aiders. We are also aiming to train a number of additional colleagues as Mental Health First Aiders over the coming months. Time to talk gives access to our mental health first aider team, access to our employee assistance scheme and supports a number of mental health initiatives including access to workshops including, personal resilience, managing stress, help for sleep, mindfulness and many more.

Financial Wellbeing

The cost of living crisis has meant we have focused on ensuring we find new ways to help our colleagues make their money go further. All colleagues continue to have access to our Perks scheme which gives access to a large number of online and high street discounts, we have introduced a new discounted Tastecard scheme for colleagues, with discounts on a large number of food chains, retailers and theme parks and have also commenced a discounted programme of mortgage advice to give colleagues better access to financial advice. We have also introduced a new electric car scheme partnership enabling colleagues to save money on car leases whilst also ensuring we continue to support the environment.

We will continue to look for new and innovative ways to support our colleagues over the next 12 months.

All our colleagues also have access to our Employee Assistance programme which offers help and support across a number of key areas, including external counselling support.

Equality and diversity

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

The Group actively supports the principle of equal opportunities in employment and is committed to ensuring that individuals are treated fairly, with respect and are valued. The Group 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 the Group 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.

We have also established a new diversity, equality and inclusion forum aimed to ensure we support these principles across the business.

Gender Diversity

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

	Male	Female	**Total**
Executive Directors	2	0	**2**
Ops Board	6	2	**8**
Senior managers	25	7	**32**
Other employees	451	95	**546**
Total average headcount	**484**	**104**	**588**

Corporate Responsibility

Our Colleagues (continued)

Gender Pay Report

Our gender pay report at the snapshot date of 5 April 2022 showed that the overall difference between men and women's earnings at the Group was 22% (mean), which is a slight decline on the previous year's report of 21%, mainly as a result of acquisition activity, but which is still an improvement from the 2020 gender pay gap of 24%.

Like most organisations in our industry, our gender pay gap is driven by a continued imbalance of male and female colleagues at different levels across the organisation. The majority of females in our business sit within the two lowest pay quartiles of the business which has negatively impacted our gender pay gap.

We have continued to focus on initiatives to increase the diversity of our business over the last year and are pleased that this is continuing to have a positive impact and we have appointed a number of females into senior roles across the business over recent months. We are confident that we will make further progress in addressing our gender pay gap, albeit this could likewise be impacted in the future by our more recent acquisitions over the last 12 months. Our commitment is to continue to focus on development and progression for our female colleagues over the next 12 months in line with the actions outlined within our Gender Pay Gap report.

Apprenticeship Programmes

Over the last 12 months we have also continued investment in apprenticeship programmes across differing areas of our business for both new joiners into our business and existing colleagues. These programmes have focused on building a pipeline of talent into our business to support a number of our functions, including sales, customer services, finance, procurement, project management and engineering and we have 14 apprenticeship programmes currently underway, with an additional number successfully completed within the financial year. Since the end of the pandemic, we are working more closely than ever with local schools, colleges and apprentice providers to increase visibility of these opportunities and to attract local talent to the Group. We also continue to actively support work experience placements and I'm pleased to say we are seeing an increase in interest in these programmes. Apprenticeships and work experience are both areas we are committed to maintaining and growing, given the benefits to both our local communities and our business.

We have also launched a new dedicated sales apprentice scheme to develop our future sales talent pipeline with 6 current participants in the sales apprentice scheme, operating in conjunction with Leeds City College and Leeds Rhinos.

Share Scheme

The Group is a strong believer that having and effective share employee share ownership programme helps to align colleagues' interests with shareholders, and continues to provide an effective tool in attracting, retaining and motivating employees. In November 2014 the Group launched its SAYE option plan where colleagues contribute a monthly amount which is saved over 3 years to buy shares in the Company at a pre-determined price.

The most recent grant was made on the 26 August 2022, with the Company granting options over a total of 562,199 ordinary shares. These options are available for exercise from 31 August 2025, with an exercise price of 96.07p.

As at 31 March 2023, the following options were outstanding under the plan:

Grant date	Exercise price (p)	Opening options	Options granted	Options exercised	Options lapsed/ cancelled	Options remaining
21-Aug-2019	63.10p	369,393	-	(360,914)	(8,479)	-
02-Sept-2020	119.60p	241,311	-	-	(97,734)	143,577
27-Aug-2021	108.33p	168,998	-	-	(75,760)	93,238
23-Dec-2021	99.87p	615,029	-	-	(118,156)	496,873
26-Aug-2022	96.07p	-	562,199	-	(87,677)	474,522
Total	**n/a**	**1,394,731**	**562,199**	**(360,914)**	**(387,806)**	**1,208,210**

Corporate Responsibility

Our Colleagues (continued)

Hybrid Working

Given the success we experienced deploying home working and communication tools throughout the pandemic we continue to be committed to maintaining a hybrid working model. We strongly believe that there are benefits to both being in the office, collaborating closely with colleagues as well as the ability to ensure focused thinking time whilst working from home. Adopting this model brings real business benefits, expands out talent pool and ensures we keep our colleagues motivated with a flexible approach to their working arrangements, which we know is very important to our colleagues.

Charitable Activity

Since the return to the office, we have continued and in fact increased the number of both virtual and face to face volunteering challenges and fundraising events.

These include maintenance of our Trees for Life partnership where we purchase a tree for every colleague joining the business and our new partnership with Generation, a national charity which supports underprivileged young adults into the workplace.

From a charity perspective we have maintained our support and commitment to a number of key charities through colleague fundraising initiatives including:

- Red Nose Day & Children in Need
- Easter egg appeal
- Mission Christmas
- Macmillan coffee morning
- Children's Heart Surgery Fund
- Charity Walks

We continue to support local volunteering activity and fundraising by encouraging all colleagues to use their day's paid volunteering leave to support causes close to their heart and we have seen a higher than ever uptake in the uptake of volunteering days.

We are also continuing to evolve our national corporate social responsibility ("CSR") strategy to support our key customers in their local areas.

Health and safety

The Group is committed to maintaining high standards of health and safety. New starters receive health and safety training through our online 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 new offices and sites have been assessed through the course of the year and we are confident all sites comply with all requirements.

Sustainability Reporting

Within the Group, we recognise the importance of addressing the potential risks and opportunities presented by climate change. We are committed to being responsible and sustainable in our operations, as an IT company. As part of our efforts to be at the forefront of the IT sector's net-zero goals, we have voluntarily reported against the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations this financial year. The TCFD framework provides a comprehensive structure, which enables us to identify and address climate-related risks and opportunities that may affect our business. This will position us better to comply with the BEIS Climate-Related Financial Disclosure for FY24.

As an IT service provider, we acknowledge our responsibility to the environment. We are currently developing our Net Zero targets and strategy, which will be finalised in H1 FY24 and align with UK government's 2050 net-zero target.

By disclosing our climate-related financial information consistent with the TCFD recommendations, we aim to provide transparency to our stakeholders, on our approach to managing climate-related risks and opportunities. We recognise that addressing climate change is an ongoing process. We are committed to continuously evolving our approach, to ensure that we are adequately addressing the challenges and opportunities presented by climate change.

The TCFD Framework

Climate change presents noteworthy trials for businesses, compelling them to adopt measures that mitigate risks and adapt to the existing changes. By doing so, companies can cultivate operations that are both sustainable and resilient. The Task Force on Climate-related Financial Disclosures (TCFD) was instituted by the Financial Stability Board (FSB) in 2015 with the purpose of formulating a series of recommendations for companies to divulge climate-related risks and opportunities.

The TCFD has gained support from a wide array of organisations, including the G20, the International Monetary Fund (IMF), and the World Bank. An increasing number of companies are now embracing the practice of disclosing climate-related information in accordance with the TCFD framework. This framework is designed to aid companies in comprehending and managing climate-related risks and opportunities. It facilitates investors and other stakeholders in grasping the financial impacts of climate change and represents a significant stride towards tackling this issue.

The TCFD framework encompasses 11 recommendations that are categorised into four key themes: Governance, Strategy, Risk Management, and Metrics and Targets. By adhering to these recommendations, the Group can identify, evaluate, and address climate-related risks and opportunities that impact our operations.

About us

The Group is a digital transformation partner. We deliver highly available cloud, communications, network and cyber security solutions that help public and private sector organisations succeed. Founded in 1997, we have fast and secure datacentres in 11 locations around the UK.

Our Vision

- A trusted cloud and communications transformation partner, underpinned by strong networking and security services.

Our Mission

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

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

Sustainability Reporting (continued)

Governance

The Group remains committed to a rigorous and reliable approach to identifying, monitoring and managing risk across all aspects of our business. Our consistent risk management approach is grounded in our core values and supports our overall business strategies, to ensure their success.

The Board of Directors

Details of the Board of Directors and their experience can be found at pages 62 and 63.

The Board is responsible for the company's response to climate change. They ensure that appropriate climate management practices are integrated into our future business operations and financial strategy. The Board provides oversight on climate-related risks and opportunities and annually evaluates progress in this area. The Board are supported by our third-party ESG specialists, who provide expertise on climate change to support this process.

Chief Executive Officer (CEO), Peter Brotherton, and Chief Finance Officer (CFO), David Senior, oversee sustainability and regularly communicate with our stakeholders, management, and the Board regarding climate change-related issues. The Board recognises its unique role in representing and promoting the interests of all the Group's stakeholders. They are accountable to shareholders for the company's performance and activities. At present, there are no ESG criteria linked to the Board's remuneration package. However, we have decided to address this, and we will ensure ESG targets form part of the executive remuneration package in FY24.

Through their commitment to strong governance and oversight, the Group can effectively manage climate-related risks and opportunities. This approach enables the company to promote long-term sustainability while delivering value to our stakeholders.

During FY23, we established our Sustainability Committee, which plays a crucial role in ensuring that our climate change and sustainability efforts, align with our overall business strategy. The Committee oversees the integration of climate-related risks and opportunities, into our operations and decision-making processes. The Committee is responsible for reviewing and monitoring our sustainability performance. They provide guidance and recommendations to our leadership team on sustainability matters. The committee hosted three meetings in FY23 (20th January, 22nd February and 21st March 2023). The committee is comprised of 18 senior managers and directors at the Group. They will endeavour to meet on a monthly basis during FY24. A third party ESG specialist delivered a climate risk management workshop, with climate change training in February 2023, to the sustainability committee.

As part of our TCFD reporting, the Sustainability Committee provides oversight on our climate-related risks and opportunities. They ensure that these risks and opportunities are adequately disclosed in our annual reports. The Committee identify emerging sustainability trends and best practices, which are integrated into our business operations. Through their work, the Sustainability Committee enables the Group to effectively manage climate-related risks and opportunities, promote sustainable practices throughout our business, and provide transparency to our stakeholders on our sustainability performance.

Strategy

The Board's strategy for growth involves identifying acquisition opportunities, investing in the Group's own infrastructure, and effectively using the Group's scale and resources to explore and invest in new technologies, to benefit our customers. Climate change poses a risk to this strategy, in all scenarios and timeframes, with the risks outlined in Tables A, B and C.

Over time, we have continued to develop and refine our risk management framework, enabling us to maintain confidence levels throughout our leadership team. This framework provides us with the ability to focus on our customers' needs while delivering on our product enhancement and business growth strategies seamlessly.

By effectively managing risks, we can proactively identify and address potential threats to our business operations, including those related to climate change and other environmental factors. This enables us to sustain and grow our business, in a way that is financially responsible and sustainable. Also, by promoting the long-term health and resilience of the wider community.

Sustainability Reporting (continued)

Climate Scenarios

To assess the impact of identified risks on our operations and financial planning, we utilized three climate change scenarios as suggested by TCFD. Our scenarios were developed using various internationally recognized frameworks, which are outlined in our 2023 TCFD report. The three climate change scenarios are outlined in Table 1.

Table 1 – A table to show the three scenarios

Scenarios	Description
Proactive	• Governments, corporations, and the public collaborate to keep global warming below 2°C, compared to pre-industrial levels and take strict climate change mitigation initiatives.
Below 2°C by 2100	• The Paris Agreement's commitment to achieving Net Zero carbon emissions by 2050 is upheld by various companies. • Governments establish stringent rules and regulations to limit greenhouse gas (GHG) emissions. • Although the physical effects will not be harmful, this consistent and well-planned approach to combating climate change will cost businesses more in the short term, as we transition to a low-carbon economy.
Reactive	• A delayed reaction to climate change, will force unanticipated implementation of policies, to cut global emissions at short notice.
2-3°C by 2100	• This is where the COP26 agreements and policies fit. • In the short term, business as usual (BAU) continues. • Due to the delayed response, transition risks increase and some physical risks occur in the medium and long term. • Only the most innovative companies will actively decrease their carbon footprint. Governments will rely on technology to cut emissions.
Inactive	• Limited action is taken to combat climate change. Business as usual continues for the ensuing few decades.
Above 3°C by 2100	• Through 2040, rising global emissions will cause temperatures to rise by more than 3°C. • Physical threats will be at their peak impact, as numerous climate tipping points are anticipated to be crossed, according to the IPCC (Intergovernmental Panel on Climate Change). • Governments and organisations will finally act, resulting in the implementation of rushed and fragmented policies.

Time Horizons:

Climate change effects are likely to extend beyond conventional boundaries. Therefore, we have used three-time frames recommended by TCFD and aligned these with the UK Government's 2050 Net Zero target, to model the above three scenarios (Table 2).

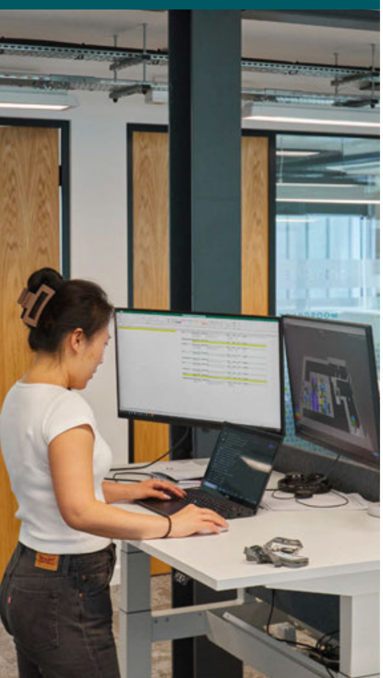
Sustainability Reporting (continued)

Table 2 – A table to show the three-time horizons.

Timeframe	Description
Short-term 2020-2025	Within the short term, we may implement strategies that have noticeable effects and lay the groundwork for long-term sustainability. We want to lower risks and position ourselves for sustainable growth, by proactively adjusting to changing environmental conditions and incorporating climate considerations into our daily operations. We would typically experience greater transitional risks and limited physical risks in the short term.
Medium-term 2025-2035	Our medium-term analysis includes a crucial time frame for addressing climate change. We foresee significant changes in the regulatory environment, technological improvements, and changing stakeholder expectations during this era. We want to manage transition risks and take advantage of fresh sustainable solutions, by proactively matching our business practises with developing low-carbon prospects. This window of opportunity enables us to fund essential infrastructure, promote innovation, and support the overall decarbonisation drive.
Long-term 2035-2050	We approach climate studies from a long-term perspective in keeping with our dedication to securing a sustainable future. With more time to prepare, we can evaluate any long-term physical risks brought on by climate change and develop elaborate plans to limit the effect on our business. We want to ensure resilience, lower emissions, and support the transition to a low-carbon economy by including climate considerations into our long-term planning. In the long term, we will typically see greater physical risks over transition risks.

In February 2023, we discussed the results of the climate scenario analysis with the Sustainability Committee, to assess the potential impact of each climate-related risk and opportunity. Analysing the climate-related risks has shown that climate change poses a risk to our business strategy in all timeframes and scenarios. We provide an overview of the 8 climate-related risks and opportunities in Tables A, B and C. As we are at the start of our TCFD journey, we have not performed financial modelling of the climate-related risks and opportunities. We will endeavour to undergo this analysis next year.

London



New office space at Redcentric London Data Centre (Shoreditch)

Sustainability Reporting (continued)

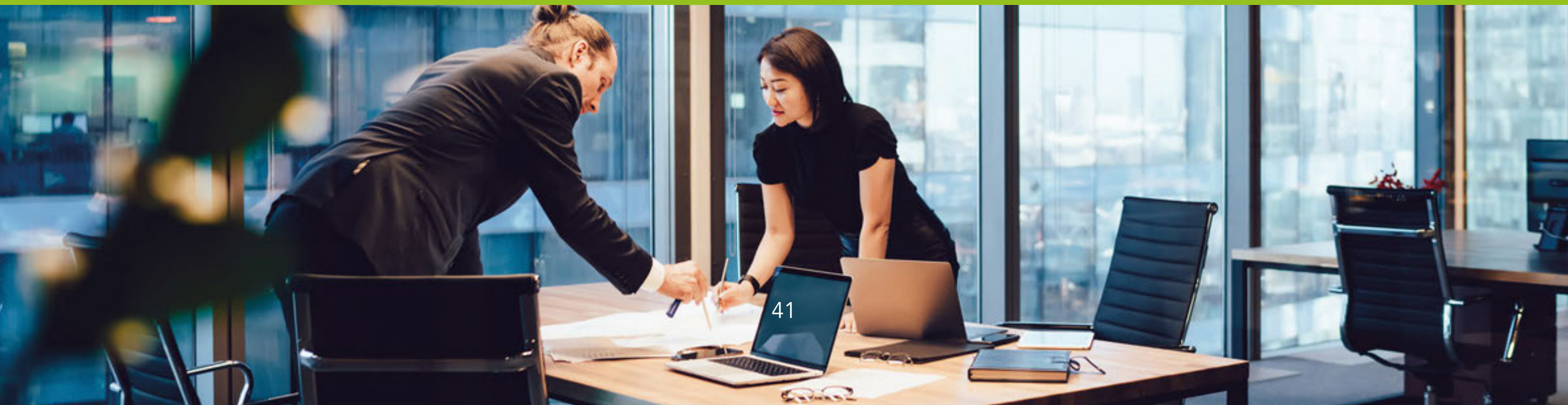
Table A: The Group's climate-related transitional risks.

Area	Risk	Warming Scenario	Time Horizon	Impact	Description	Response
Market	Increased cost of energy and raw materials	<2°C 2-3°C	Short - Medium (2020-2035)	Expenditures - Increased indirect (operating) costs Impact score: 3/4 Likelihood: 3/4	Increases in costs could impact the Group's profitability. Over the past few years, the escalation of worldwide events, for example, the pandemic and other geopolitical issues, have caused widespread supply chain disruption in the technology sector. An unpredictable climate could exacerbate the impact of existing supply chain issues, with increased pressure on the sourcing of raw materials and finished goods. Climate change is likely to exacerbate these issues resulting in potentially increased costs, supply disruptions and delayed deliveries. Increased energy costs are already impacting the business and are likely to continue to rise.	Within the Group, we maintain strong relationships with key suppliers and regularly review our suppliers. In FY23 and beyond, we will continue to monitor and maintain these relationships with our current suppliers so we will be informed as early as possible if there are any delays or issues with receiving the stock. Energy price variations are not in our direct control. However, we monitor energy prices and always aim to be on the best renewable tariff.
	Changing consumer preferences to more sustainable products and services	<2°C 2-3°	Medium (2025-2035)	Revenue - Decreased revenue due to reduced demand for products and services Impact score: 3/4 Likelihood: 1/4	A reduction in customer spending could have an adverse effect on the Group's revenue and profitability. With ESG growing in importance, customers may change their consumer preferences to other IT service providers who are doing more for ESG and sustainability. The potential loss of business to more sustainable competitors could be detrimental to revenue. Failure to effectively predict and respond to changes could affect the Group's sales and financial performance.	We would expect our total CO2 emissions to reduce over time given our commitment to Net Zero (targets and timelines to be agreed during FY24). This risk can be mitigated by generating our own renewable energy (through Solar PV) and reducing our reliance on the National Grid.

Sustainability Reporting (continued)

Area	Risk	Warming Scenario	Time Horizon	Impact	Description	Response
Reputation	Increased stakeholder concern for ESG	<2°C 2-3°C	Short – Medium (2020-2035)	Capital and Financing – Decreased access to capital Impact Score: 4/4 Likelihood: 1/4	As the world transitions to a decarbonised economy, our stakeholders are likely to have increased interest and concern for our sustainability credentials. An actual or perceived inability to understand and be seen to be taking action to reduce our overall carbon footprint is likely to negatively impact investor sentiment / ratings. This could potentially limit our access to capital, as the focus on environmental impacts, climate change and net zero targets increases.	We have already allocated internal resources through a sustainability programme and have engaged with a third-party specialist, to ensure compliance with current and emerging regulations. We will publish a TCFD Report to communicate our efforts to our stakeholders, including customers, and ensure our ESG strategy develops with guidance from best practices. The Group created a new ESG committee and held meetings in FY23. We appointed a third-party expert, to conduct a thorough ESG assessment of our business, so we can identify areas for us to improve. We have conducted our first TCFD disclosure in FY23, to understand the climate-related risks and opportunities associated with our business.

A STRATEGIC PARTNER AND A SAFE PAIR OF HANDS



Sustainability Reporting (continued)

Table B: The Group's material climate-related physical risks. The full risk register can be found in our 2023 TCFD report.

Area	Risk	Warming Scenario	Time Horizon	Impact	Description	Response
Acute	Increased severity of flooding	2-3°C >3°C	Medium - Long (2025-2050)	Expenditures – Increased direct and indirect costs Impact: 3/4 Likelihood: 2/4	After conducting climate scenario analysis on all our sites, we have ascertained that 8 of the eleven sites are exposed to a risk of flooding. This risk is expected to amplify in frequency and severity because of climate change. This vulnerability has the potential for direct damage to property, plant, equipment, and transportation networks, thereby increasing our costs. Additionally, there exists the possibility of delivery delays and further disruptions to our operational activities. These expenses may escalate, as the global premiums for property insurance are projected to surge by 29% by 2040, due to the impact of climate change. While extreme weather conditions have the potential to increase production costs or induce disruptions within our supply chain, it is improbable that they would irrevocably impede our long-term operational capability. Nevertheless, these disruptions may lead to heightened costs and potential price increases.	We recognise that increased flooding could result in disruptions to our business. We have conducted climate scenario analysis on all our eleven sites. We found that flooding was a direct risk for eight of the sites in the medium and long term. Some sites have mitigation measures in place to deal with flooding events or are situated on elevated ground thereby reducing the overall impact. We will continue to conduct this assessment on an annual basis and expand the analysis to include our supply chain. We have conducted specific flood risk assessments on the most at-risk sites, and we ensure that we are comprehensively covered by insurance. In the longer term, the Group will have to ensure that drainage systems at our sites are well-maintained and serviced.
	Increased severity of heatwaves and extreme heat	2-3°C >3°C	Medium - Long (2025-2050)	Expenditures – Increased direct and indirect costs Impact: 3/4 Likelihood: 3/4	The frequency and intensity of heatwaves are expected to rise in the UK with climate change. In 2022, the heatwaves in the UK lead to 40-degree temperatures and disruption to multiple transport links. This leads to increased demand for cooling and energy (Air-conditioning, fans, water) at the Group's sites.	Our data centres were impacted by the 2022 heatwaves, especially our sites in Shoreditch, West Byfleet, Woking and Crawley. At our Shoreditch data centre, we had to cool the temperature down when temperatures rose well above 30 degrees during the 2022 summer heat waves.

Sustainability Reporting (continued)

Area	Risk	Warming Scenario	Time Horizon	Impact	Description	Response
Acute	Increased severity of heatwaves and extreme heat	2-3°C >3°C	Medium - Long (2025-2050)	Expenditures – Increased direct and indirect costs Impact score: 3/4 Likelihood: 3/4	Power outages become more common due to a reduction in power production and an increase in energy demand. Supply routes may be disrupted as railways buckle and roads melt. Regular comfort breaks may be needed to ensure employees do not suffer from heat-related illness, which reduces productivity.	The data centres must be cooled to operate under their capacity, which is optimal. Cooling will likely increase as climate change will be associated with hotter summers and heatwaves in the UK. We will in the coming years equip our data centres to deal with the increasing heatwaves over the medium and long term. This may over time require capex investment and lead to an increase in operating cost associated with air conditioning over the summer months.
Chronic	Rising mean temperatures	>3°C	Long Term (2035-2050)	Expenditures – Increased direct and indirect costs Impact score: 3/4 Likelihood: 3/4	Rising mean temperatures will lead to a higher demand for cooling. Energy costs will rise as sites will require additional cooling, to maintain optimum temperatures for staff and operations. Staff wellbeing may be impacted if adequate cooling is not maintained. Employees may require more frequent breaks to avoid health risks associated with higher temperatures. Productivity may be impacted across the Company. Power outages due to increased demand and pressure on the grid can lead to operation disruption.	

Sustainability Reporting (continued)

Table C: The Group's climate-related opportunities. The full register can be found in our 2023 TCFD report.

Area	Opportunity	Warming Scenario	Time Horizon	Description	Response
Energy Resources	Linking energy performance change in data centres to external weather conditions to track performance.	<2°C 2-3°C	Medium (2025-2035)	As the climate changes, so will the technology to monitor the changes more accurately in weather patterns. The costs of operating our data centres are intrinsically linked to the weather. We must keep the servers within a certain temperature range, to ensure they are operating at maximum efficiency.	We can track this performance and improve monitoring of the effects the weather will have on our data centres. By accurately planning and tracking the performance of our data centres, we will be able to ensure our sites are operating at their optimum capacity. It will allow us to mitigate any other acute physical risks from climate change, such as flooding and heatwaves.
	Use of lower emission sources of energy.	<2°C 2-3°C	Short - Medium (2022-2035)	Investment in resource efficiency will lower energy intensity and should lead to cheaper and more consistent operating costs, enhancing operating efficiency. This will be accomplished by decreasing energy use across the Group. The power needed for our data centres, heating, ventilation, air conditioning, and lighting are the main energy users on the sites.	Within the Group we are committed to decarbonising our operations as we embark on a journey to net-zero. We understand we will be required to invest in lower emissions technology across our operations, as more innovative solutions come to market over time. Increased energy efficiency technology will decrease our energy consumption and the energy costs for our business. The payback associated with lower-emission sources of energy will mitigate the upfront cost of technology investment. Exploring other options such as installing Solar PV could further reduce this cost over time. Also, this would reduce our reliance on the National grid and help mitigate any carbon tax.

Sustainability Reporting (continued)

Risk Management

We follow a tiered hierarchy for risk management, where each functional unit of the business manages and owns risks in their respective areas scientifically and consistently. Risks with significant value are escalated upwards to the Operating Board level and beyond to the Group level, alongside principal risks. This approach ensures the appropriate level of visibility, ownership, and management, with complete consistency and transparency.

In recent years, UK businesses have experienced some challenging external forces, such as the repercussions of the pandemic, escalating inflation, and a cost-of-living crisis. These factors have heightened numerous key risks that we have experienced. Nonetheless, our capacity to promptly respond and adapt to these shifting circumstances has set a precedent for effectively tackling unforeseen disruptions within our organisation.

The advent of climate change is poised to exacerbate these challenges, thereby necessitating ongoing monitoring and proactive measures to mitigate risks. To fortify our preparedness for such occurrences, the Group has implemented a resilient and well-defined framework for risk management. Over the past couple of years, we have increasingly integrated the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into our risk management approach, aligning ourselves with emerging climate-related risks.

We have developed a four-step framework for managing climate risks, which guides the identification, rating, and monitoring of business risks. Working with a third-party ESG consultancy, we have established a stand-alone climate risk management framework, as part of our TCFD programme. This enables us to identify and evaluate climate-related risks and opportunities. This framework has been integrated into our broader business risk management processes, which ensures that we maintain a comprehensive and systematic approach to climate risk management.

Identify

During FY23, we engaged with third-party ESG specialists, to help identify and assess the appropriate climate-related risks and opportunities that may impact our business. The climate scenario analysis identified 14 climate-related risks and two opportunities. In the previous financial year, we identified climate change as a principal risk for the first time, under our broader principal risk of environmental impact.

Assess

To understand how the impact of climate change could affect the risks and opportunities to the business over time, we facilitated a climate risk management workshop in February 2023, with our ESG partners (Inspired PLC). We discussed the impact of each risk and opportunity on the business across three scenarios (<2°C, 2-3°C and >3°C) and three timeframes (short (2020-2025), medium (2025-2035) and long-term (2035-2050)), enabling us to understand where the impact would be greatest on the Group's business operations.

Appraise

Once we assessed the impact of each risk and opportunity, we assigned a range of risk management options. During the climate risk management workshops, we assessed the effectiveness of each current risk mitigation action, for each climate-related risk and opportunity. The climate-related risks were given a score for impact and likelihood, between 1 and 4, which is consistent with our risk-management framework, 1 being low and 4 being high.

Post-workshop we developed a climate risk management framework that will feed into our business's existing risk management process, to ensure that our operations remain resilient to climate change. Each risk was ranked from 1 – 8, using the existing risk management framework rankings. The combination of these rankings provided the overall risk level (Table 3). As we are at the start of our TCFD journey, we have not performed financial modelling of the climate-related risks. We will endeavour to undergo this analysis next year.

Address

To reduce the impact that climate change will have on our business, we have introduced mitigation actions, to reduce the climate-related risks (Table 3). On an annual basis, the Sustainability Committee will re-evaluate the risks and opportunities presented by climate change and review our mitigation actions to understand their effectiveness.

It will remain the Sustainability Committee's responsibility to review and update the climate risk register, to ensure that the opportunities and risks associated with climate change are accurately assessed, acknowledged and monitored.

Sustainability Reporting (continued)

Transitional Risk Mitigation

We realise how important it is to take climate-related risks and opportunities into account when making strategic decisions. These risks are managed by our Sustainability Committee. They provide the Board with regular status reports. It is vital that we identify and manage these risks, whilst embracing opportunities, to realise our strategic goals. Our main goal is to demonstrate to our stakeholders the effectiveness of our strong risk management process. We can guarantee openness and comprehension throughout the Group. We also work to improve our mitigation strategies, by coordinating them with our main goals and objectives.

Table 3: A table to show the actions to mitigate the transition risks.

Area	Climate-related Risk	Mitigating Actions
Policy & Legal	Increased reporting requirements due to climate change Mandates on and regulation of existing products and services	• To guarantee that we can react effectively and rapidly to new climate change laws, we continuously monitor regulatory changes. • We have worked with a third-party ESG services advisor that keeps us updated on any new or proposed regulations from the perspective of climate change.
	Carbon Pricing Mechanisms in the value chain	• We will put into practice an action plan for scope 3 emissions and value chain participation as part of our Net Zero strategy. To lower the expense of offsetting, we want to reduce emissions as much as possible. • Although we will monitor progress of carbon taxes, we don't expect it to suddenly affect our industry.
Market	Changing consumer preferences and increased sensitivity to ESG	• We must make sure that changes to our ESG strategy and the work we are doing across our Group to operate more sustainably are made available to the public for the benefit of our stakeholders and customers. • We will monitor customers' feedback in relation to sustainability and how our sustainable products are performing.
	Increased costs of raw materials	• To ensure that we can cut our energy expenditures as much as possible, we must keep up with energy-saving measures. • To ensure a diverse supply chain, we must maintain solid relationships with all our suppliers and frequently review our suppliers.
Reputation	Increased stakeholder concern damaging our reputation	• To demonstrate our progress with climate change risks, opportunities and mitigation, we will continue to publish an annual TCFD report. • We are aware that ESG and sustainability are crucial to the long-term success of our company and vital to our stakeholders. • The sustainability committee will continue to oversee and refine our sustainability plan, with regular updates sent to the Board.
Technology	Substitute existing products to lower emissions alternates	• Substituting our data centre equipment with lower-emissions alternatives will be associated with a substantial cost to the Group in all scenarios and timeframes. • We are taking steps to increase our data centres' efficiency by 40%. We will continue to invest in and explore the possibility of improving the energy efficiency in our facilities.
	Costs to transition to lower emissions technology	• To reach our climate objectives, we might need to set aside money for capital expenses so that we can spend it on lower-emission technology. • We must make sure we thoroughly plan for these charges each financial year because these may be associated with significant costs to the business.

Sustainability Reporting (continued)

Physical risk mitigation

The COVID-19 pandemic has shown the operational disruptions that can ensue from unforeseen and abrupt events. We take pride in our response to the pandemic, as it serves as validation of the efficacy of our current resilience strategy. Drawing from this experience, we are now factoring in the physical risks associated with climate change. The six risks we have identified could cause significant business disruption in the worst-case scenario. Therefore, we will continue to assess these risks on an annual basis, promptly reporting any alterations that may transpire.

As we expand our TCFD process to encompass our supply chain, we anticipate that the impact of these risks will change. Table 4 outlines the mitigation actions for the three acute physical risks and three chronic physical risks. Acute physical risks encompass sudden occurrences that elicit short-term consequences, such as floods, storms, and heatwaves. Chronic physical risks denote a more gradual impact, such as sea level rise and extreme heat. Our dedication lies in diminishing our exposure to physical risks and safeguarding the resilience of our business.

Table 4: A table to show the actions to mitigate the physical risks.

Area	Climate-related Risk	Mitigating Actions
Acute	Increased severity of flooding	• As our staff have the ability to work from home, the impact of floods is minimal at our office locations. However, this is not the case at our data centres. • To reduce the physical effects of floods at these sites, adequate upkeep of drainage networks will be conducted along with continuous robust flood risk assessments. • All sites considered at risk will receive the proper insurance coverage.
	Increases severity of forest fires	• This risk is more significant to our global supply chain, than to our UK operations. We will conduct a climate scenario analysis next year of our supply chain, to evaluate this risk. • The risk of forest fires presents a small risk to our Woking site. We will monitor fires when they develop in the surrounding areas. To date, wildfires have not posed an issue. However, with climate change we may have to increase our surveillance and develop a continuity plan in the event of a wildfire.
	Increased heatwaves and extreme heat	• Our offices have air conditioning, and we will ensure that they will be fully equipped to manage heatwaves. Staff can work from home in periods of intense heat.
Chronic	Rising mean temperatures	• The cooling of our data centres poses a risk for the Group. In the summer of 2022, some of our sites did not have adequate cooling, for example, Shoreditch. We are currently working on improving the cooling systems at these sites and will continue to evaluate each site's performance annually. • Regular breaks and hydration will be provided, to ensure the health and well-being of staff on extremely hot days.
	Sea level rise	• In the coming years, we plan to extend our climate scenario analysis to include key suppliers for a better understanding of this risk's implications.
	Water stress	• We already monitor water use at all our data centres. Two of our sites use water as their primary cooling system. Our West Byfleet and Crawley sites rely on water to cool them down, so we may have to invest in changing this cooling methodology, if access to water poses a threat in the future. • Our TCFD process next year will include a climate scenario analysis of our key suppliers and supply routes, to assess this risk in our supply chain.

Sustainability Reporting (continued)

Metrics & Targets

During this financial year, we initiated our voluntary TCFD reporting and incorporated our sustainability strategy, as a crucial aspect of our business's growth. To help us advance on our sustainability journey, we appointed a third-party ESG specialist, to assist us in enhancing and evaluating our environmental performance and data collection procedures. Under their and the ESG Committee's guidance, we calculated our complete carbon balance sheet for the first time, which will serve as a starting point for our Net Zero target and transition plan that we plan to finalise in H1 FY24.

We have chosen to evaluate our sustainability performance, strategy, and our resilience against climate-related risks and opportunities through various metrics, including carbon emissions. These metrics are outlined below in Tables 5 and 6 and will assist us in measuring our progress and informing our sustainability-related decision-making processes.

Metrics used to measure and manage our climate risks and opportunities

The Group's climate risk register contains the metrics the company will use to measure and monitor climate-related risks and opportunities. As a company that is at the start of its TCFD journey, we aim to collate this data within the next two years and report annually thereafter on the progress of each climate risk against the identified metrics.

Table 5: A table to show the metrics used to measure and monitor the transition risks.

Transition climate risks	Metrics
Increase in regulation due to climate change, enhanced emissions reporting obligations.	• Annual cost (£) of internal resources used to monitor climate legislation and compliance.
Carbon pricing mechanisms.	• An internal carbon price will be calculated within the next two years.
Mandates on and regulation of existing products and services.	• Percentage cost of adhering to new regulation on our products and services.
Increased cost of energy and raw materials.	• Annual cost increase (£) linked to energy.
Changing consumer preferences to more sustainable products and services.	• Annually evaluating customer sentiment for sustainability among our products and services.
Increased stakeholder concern for ESG.	• Annually evaluating sustainability criteria on capital.
Substitute existing products and services to lower emissions alternates.	• Percentage of revenue investment in improving energy efficiency in our data centres.
Costs to transition to lower emissions technology.	• Cost (£) of reducing our Scope 1 and 2 emissions. • Cost (£) of reducing our Scope 3 emissions, such as our EV salary sacrifice scheme.

Sustainability Reporting (continued)

Table 6: A table to show the metrics used to measure and monitor the physical risks.

Transition climate risks	Metrics
Increased severity of flooding.	• Value (£) of key site assets located within flood risk zones. • Annual flood insurance premiums for sites. • Annual maintenance costs due to damage from floods and storms.
Increased severity of heatwaves and extreme heat.	• Energy use (KWh) and associated costs (£) from periods of extreme heat.
Increased frequency of wildfires.	• Metrics will be calculated in the next two years, when we consider our value chain.
Sea level rise.	• Value (£) of key sites located near coastal areas.
Rising mean temperatures.	• Energy use (KWh) and associated costs (£) from periods of extreme heat.
High water stress.	• Water use (m^3) at the Group's sites and data centres.

Carbon emissions from our own operations (Scope 1 and 2) for FY23

As part of our commitment to sustainability, we are focused on reducing the carbon emissions associated with our business operations. We recognise that measuring our carbon footprint is the first step towards achieving this goal. We have calculated our Scope 1 and 2 GHG emissions, in accordance with Streamlined Energy and Carbon Reporting (SECR) regulations. For FY23, our Scope 1 emissions amounted to 191.40 CO2e, representing an 278.16% increase from FY22. Within the Group, we purchase renewable electricity for all our facilities. Therefore, our Scope 2 emissions are considered zero under a market-based approach. However, under a location-based approach, our emissions for FY23 were 10,055.40 CO2e, representing a 150.35% increase from the previous year. These increases are due to the pandemic ending and our normal operations beginning again. The current energy consumption for FY23 is now typical for our services. Although a third-party calculates our company's data to estimate emissions, no formal assurance is provided.

Table 7: The Group's total energy consumption (kWh)

Utility and Scope	2022/23 Consumption (kWh)	2021/22 Consumption (kWh)
Scope 1 Total	**970,890**	**90,796**
Gaseous and other fuels (Scope 1)	970,890	90,796
Scope 2 Total	**51,998,139**	**18,916,332**
Grid-Supplied Electricity (Scope 2)	51,998,139	18,916,332
Scope 3 Total	**380,785**	**218,058**
Transportation (Scope 3)	380,785	218,058
Total	**53,349,814**	**19,225,186**

Sustainability Reporting (continued)

Table 8: The Group's SECR-compliant scope 1 and 2 carbon emissions

Utility and Scope	2022/23 Emissions (tCO_2e)	2021/22 Emissions (tCO_2e)
	Location-based	Location-based
Scope 1 Total	**191.40**	**23.27**
Gaseous and other fuels (Scope 1)	191.40	23.27
Scope 2 Total	**10,055.40**	**4,016.50**
Grid-Supplied Electricity (Scope 2)	10,055.40	4,016.50
Scope 3 Total	**88.94**	**50.86**
Transportation (Scope 3)	88.94	50.86
Total	**10,335.74**	4,090.63

Table 9: The Group's UK Location-based emissions intensity metric

	2022/23	% change
All Scopes tCO_2e per m^2	0.34	-25.34%

Energy efficiency measures taken during FY23

We are committed to year-on-year improvements in our operational energy efficiency. A register of energy efficiency measures has been compiled, with a view to implementing these measures in the next five years.

Cooling System Efficiency Improvements

- A continued programme of works has been undertaken on furthering the improvement of the cooling efficiency of the Harrogate data centre. This has included:
  - AHU temperature sensor recalibration;
  - Air-flow management improvement through the removal of redundant cabling, and tile vent resetting;
  - Increase of temperature set points within central AHUs;
  - Installation of additional cold aisle containment cabinets, increasing the amount of cold aisle containment to 90%.

Working Pattern Alterations

- Following the pandemic, the way in which the business operated changed, and this has continued through the present reporting year. This includes the continuation of a hybrid working model, reducing the energy consumption of office spaces due to lower occupation, and use of MS Teams for meetings throughout the business, mitigating emissions from travel.

Sustainability Reporting (continued)

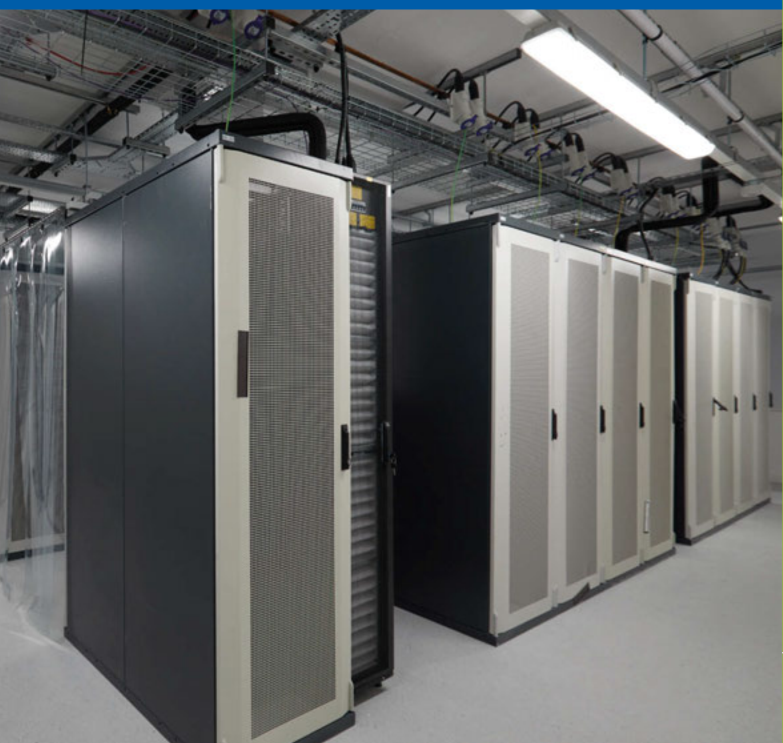
Our first carbon balance sheet (including our Scope 3 emissions)

In 2022, we utilised the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standards, to calculate our complete Scope 3 emissions for FY22, which will serve as the baseline for achieving Net Zero. We undertook a thorough data collection process, to determine our FY22 Scope 3 emissions. As we have the internal process developed for calculating our Scope 3 emissions, in the next financial year, we will align this with our annual accounts reporting, so that we are always reporting on the current financial year. This procedure emphasised the importance of the emissions related to our supply chain and logistics activities, as they represent a significant (%) portion of our overall emissions. The calculation of our FY22 Scope 1, 2 and 3 GHG emissions revealed our energy consumption from electricity (Scope 2) and fuels (Scope 1) accounted for 19% of our total footprint, using the location-based method. However, our Scope 3 emissions represent a significant proportion of our GHG emissions (81%). Therefore, we have decided to disclose these in our annual report (Table 10).

The most significant emissions sources are from the goods and services (including capital goods) that the Group purchases. These Scope 3 categories accounted for 64% of the Group's total carbon footprint, using the location-based approach. Emissions associated with the use of sold products and fuel-related activities are notable contributors to Scope 3 emissions, accounting for 9% and 7% respectively. In total, 9 out of the 15 Scope 3 categories were applicable to the Group.

The Board is committed to fostering and developing effective partnerships with the Group's suppliers, based on forward planning, collaboration and trust. These supplier partnerships are pivotal in delivering many of our services and will play a crucial role in meeting our climate targets. The supplier partnerships help the Group, to deliver value and quality to its customers and help its partners to develop and grow. The Group has an annual programme of regular engagement and communication with all suppliers.

New rack space at Redcentric London Data Centre



Refurbished London office space

Sustainability Reporting (continued)

Table 10: the Group's carbon balance sheet for FY23.

Emissions Scope & Scope 3 Category	tCO2e (location-based)	% (location-based)
Scope 1	**23**	**0.1%**
Natural Gas	0	0%
Transportation (excluding grey fleet)	0	0%
Other Fuels	23	0.1%
Scope 2	**4,017**	**18%**
Scope 3	**17,751**	**81%**
1. Purchased Goods & Services	88.94	50.86
2. Capital Goods	13,960	64%
3. Fuel-related Emissions	1,512	7%
4. Upstream Transportation and Distribution	64	0.3%
5. Waste Generated in Operations	2	0.01%
6. Business Travel	69	0.3%
7. Employee Commuting	75	0.3%
8. Upstream Leased Assets	N/A	N/A
9. Downstream Transportation and Distribution	N/A	N/A
10. Processing of Sold Products	N/A	N/A
11. Use of Sold Products	2,069	9%
12. End-of-life Treatment of Sold Products	0.3	0.001%
13. Downstream Leased Assets	N/A	N/A
14. Franchises	N/A	N/A
15. Investments	N/A	N/A
Total All Scopes	**21,791**	**100%**

An update on our net zero commitment

We are currently developing a comprehensive strategy report and transition plan that will delineate an assortment of decarbonisation measures and pathways aimed at attaining our objective of Net Zero. Our primary focus includes curtailing electricity consumption, enhancing procurement processes, optimizing the utilization of our sites and buildings, and actively engaging with our staff. As an IT services provider, our multiple datacentres necessitate a substantial amount of grid-based electricity. Presently, we procure renewable energy to power all our sites.

However, to reach our Net Zero goals, it becomes imperative to reduce our reliance on the national grid and begin generating renewable energy at our facilities. This can be achieved through various initiatives, such as the installation of solar panels. Our Net Zero plan will establish pathways in alignment with our short-term and long-term targets, guaranteeing the existence of an action plan that bolsters our decarbonisation objectives and adheres to the guidelines of the Science Based Targets Initiative (SBTi).

Sustainability Reporting (continued)

Decarbonising our operations and reducing our Scope 1 and 2 emissions will be paramount for our Net Zero strategy. When we finalise our Net Zero transition plan in FY24, we will set an interim target for reducing our Scope 1 and 2 emissions.

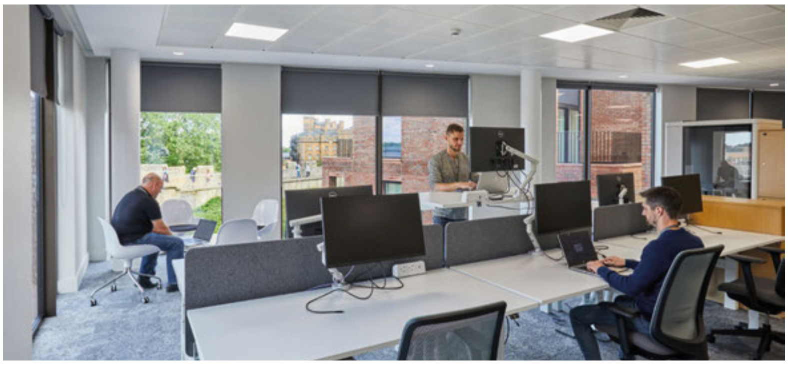
We aim to conclude the development of our comprehensive Net Zero transition plan within the initial half of FY24, thereby cementing our commitment to a sustainable future.

The Strategic Report on pages 4 to 53 is signed on behalf of the Board by

Peter Brotherton
Chief Executive Officer
24 August 2023

York

New office space at Redcentric York



City centre location adjacent to York Rail Station

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 the Group 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 "Code") as its benchmark for governance matters. At the date of this Report we believe that we are fully in compliance with the Code, and were also fully compliant for the comparative period.

This section of the Report 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.

Nick Bate
Chairman
24 August 2023

New Redcentric data centre facilities at Elland Data Centre

New rack space

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 8 to 10. Details of the key risks and challenges facing the Group and the high-level management of such are outlined on pages 30 to 31. The Group continues to operate a tiered hierarchy for risk management, with functional management of direct risks and consistent measures across all functions, and escalation of significant value risks, along with principal corporate risks, to the Group's corporate risk register. The corporate 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 continues to be committed to engaging with its shareholders to ensure that the strategy and business model and key events of the Company are clearly shared and understood. The Board believes that the disclosures of this Report provide information necessary for shareholders to assess the Group's performance, business model and strategy. Hard copies of the Report 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 Company uses regulatory announcement through RNS to ensure that important news is shared with all shareholder and potential shareholders in a clear and uniform way and often issues announcements beyond those it is obliged to make. The Executive Directors are also in regular contact with the Company's shareholders and brief the Board on feedback and any shareholder issues. In FY23, 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 to discuss the Group's strategy and shareholder expectations, amongst other things. There is also regular dialogue with shareholders through the Company's corporate broker, finnCap Limited ("finnCap"), who keep the Board abreast of shareholder expectations and reactions and assist in setting up meetings with potential investors. 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 days. 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 by which shareholders or investors may 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 Group. The Chair and other Non-Executive Directors will always make themselves available to shareholders. The AGM is 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. We were pleased to once again be able to welcome shareholders in person to our AGM last year, particularly following the constraints faced in recent years and look forward to welcoming shareholders again this year. Once again, to ensure that shareholders who are unable or would rather not attend the AGM 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 which are submitted by shareholders in advance to the Company. Any such questions should be sent to investorrelations@redcentricplc.com so as to be received by no later than 5 p.m. on Friday 22 September 2023 and the Company will publish questions and responses 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 2022 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 a number of key stakeholders, as described on pages 26 to 29 and pages 32 to 35, including colleagues and customers 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. This year, with the addition of new colleagues through the acquisitions of 4D and Sungard DCs, this has been especially important. The Group has worked hard in FY23 to onboard and integrate new colleagues to give them the best welcome. The Group has also continued to work on its employment proposition during the year with further enhancements to HR systems and people policies to enable employees to take greater control of their working experience. The hybrid working model implemented in FY22 and additional locations continues to provide access to a broader geographical talent pool. This year has seen the Group's vision, mission and values be fully embedded into the Group's performance and recognition schemes and additional content on the Group's online learning management systems, together with a partnership with LinkedIn Learning, has provided colleagues with significant opportunities for personal and professional development. The physical, emotional and financial well-being of colleagues has been a key priority for the Group, particularly in the context of the current cost of living crisis and a number of initiatives have been implemented to assist colleagues in this regard – including healthcare discounts and schemes, webinars and sessions for colleagues on health, fitness and diet; increased profile of Mental Health First Aiders and access to a programme of events on resilience, stress management and mindfulness; and the introduction of a discounted programme of access to mortgage advice and introduction of a new discounted "Tastecard" scheme for colleagues. Investment has continued in the Group's apprenticeship programme with fourteen apprentices currently in the Group and a number of apprenticeships completed in FY23. A dedicated sale apprentice scheme was also launched in FY23, in conjunction with Leeds City College and Leeds Rhinos Rugby Club, with six participants in the scheme. Recognising the Group's social responsibility, FY23 has seen an increase in volunteering and fundraising activity and an increase in colleagues using their day's paid volunteering leave. As detailed on page 34, the Group also has in place a SAYE option plan to enable colleagues to become personally invested as shareholders of the Company. In FY23, the Company granted options over a total of 562,199 ordinary shares under this scheme. **CUSTOMERS** The Group's extensive customer services, which are detailed on the Group's website at https://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. The Group also keeps abreast of customer needs and communicates it's proposition to customers through regular customer surveys, monthly and quarterly service reviews and through its social media channels. In FY23 the Group continued its work to make its communications with customers more meaningful and targeted and the launch of phase 2 of its customer service management solution marked a key step in enhancing customers' experiences with the Group. The Board also considers its shareholders, suppliers and the environment to be key stakeholders and details of how the Group fosters relationships with these stakeholders and considers their needs are set out in the Section 172 statement on page 26 of this Report.

Corporate Governance (continued)

Governance Principle	Application
Principle 4 Embed effective risk management, considering both opportunities and threats, throughout the organisation	As set out in the Audit Committee Report on page 64, the Board is committed to ensuring that risk management forms part of the way the Group works and is embedded in the business, coordinated by the Chief Financial Officer, and with reporting on mitigating actions as well as the risks. In FY23, having identified climate change as a principal risk for the first time in FY22, there has been an increase in focus on emerging climate change related risks with the TCFD recommendations being integrated into the Group's risk management framework. These risks are managed by the Group's newly formed Sustainability Committee, which provides quarterly reports to 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. Ongoing enhancements continue to be made to D365, the Group's ERP system, overseen by the Group's Chief Technology Officer, which are expected to strengthen the control environment, particularly following acquisitions completed in FY23. The Board acknowledge that there is a requirement for continuous improvement to the control environment particularly following acquisitions made in the year and as such, improvement plans continue to be developed and implemented, with short and longer term plans to address risks and control weaknesses. The principal elements of the Group's internal control system cover financial, operational and compliance controls and include: 1. close management of the day-to-day activities of the Group by the Executive Directors; 2. 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; 3. detailed monthly reporting to the Board, both at Group and at divisional level (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; 4. an organisational structure that has clear reporting lines and delegated authorities, particularly with the new divisional structure that was put in place at the start of FY23; 5. management and monitoring of risk and performance at multiple levels throughout the Group; and 6. continually improving finance, legal and assurance and compliance 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. The Group also works hard to maintain a number of ISO accreditations it has achieved over a number of years, detailed at https://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.

Corporate Governance (continued)

Governance Principle	Application
Principle 5 Maintain the board as a well-functioning, balanced team led by the chair	The composition of the Board is detailed on page 62. The Board delegates specific responsibilities to the Board committees. The composition of the committees and how they discharge their responsibilities can be found on page 62. Part of the role of the Board's Nomination Committee, chaired by Nick Bate, is to keep the composition of the Board under review as the Group's business evolves. Following Jon Kempster's resignation, Alan Aubrey joined the Board as a Non-Executive Director and Chair of the Company's Audit Committee. Alan brought with him considerable market knowledge and breadth and depth of skills and experience. Following the end of FY23, Helena Feltham stepped down from the Board and as Chair of the Remuneration Committee. Given Helena's departure, Alan Aubrey was also appointed as interim Chair of the Company's Remuneration Committee and Nick Bate was appointed as a temporary member of the Audit Committee, pending appointment of a new Non-Executive Director and Chair of the Remuneration Committee. The process for recruitment of a new Non-Executive Director has commenced, led by Nick Bate, and further details will be issued in due course. The Board is mindful of the benefits of having diversity on the Board and will seek to address this with this appointment. 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 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 62. 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 61. The Board recently concluded an assessment of its performance, and more detail is provided below against Principle 7.

Corporate Governance (continued)

Governance Principle	Application
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 62. The Board considers that, other than the gap left by Helena Feltham's departure and the Remuneration Chair vacancy, 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 Alan Aubrey further enhances its capabilities and complements the skills and experience of the current Directors. 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 in most areas but highlighted some skill sets which could form part of the specification for any future Board appointments, some of which should be fulfilled and enhanced by the appointment of a new Non-Executive Director and Remuneration Committee Chair. 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. Jon Kempster and, following his resignation, Alan Aubrey, was the Company's Senior Independent Director during FY23 and provided a sounding board for the Chairman and also served as an intermediary for the other directors where required. External advisers or consultants have been engaged by the Board in respect of its remuneration policies, in relation to implementation of the Company's corporate and acquisition strategy and in relation to the appointment of both Alan Aubrey to the Board and commencement of recruitment of a new Remuneration Committee Chair, all being significant matters. 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 recently carried out its annual evaluation. Following its first externally facilitated evaluation in a number of years in FY22, the FY23 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 ones 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; - Review by the Board of the consolidated outputs of the questionnaire and skills matrix, facilitated by the Company Secretary and Chairman. In addition to the appointment of a new a new Non-Executive Director and Chair of the Remuneration Committee, the process identified a number of other actions which the Board believes will assist in improving Board performance and these will be implemented during the year, including: - timings of Board reports prior to meetings; - ongoing review of Board composition; - ongoing review and update of the Company's investor relations and communications policy; - review of the Group's ESG strategy and priorities; - ongoing review of succession planning.

Corporate Governance (continued)

Governance Principle	Application
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 ongoing disclosure of interests, are all examples of processes which require high standards of behaviour from the Board. Employment policies adopted by the Group assist in embedding a culture of ethical behaviour and the values set out in its corporate social responsibility statement. Ongoing training on the Group's compliance and anti-bribery policy and the Group's Modern Slavery Act policy launched in FY22 continue to reinforce the culture of ethical values and behaviours. The Group is pleased that in FY23 there has been an increase in charitable activity across the Group, with a number of volunteering challenges and fundraising events. This activity includes maintenance of the Trees For Life partnership, a partnership with Generation (which supports underprivileged young adults into the workplace), the Mission Christmas volunteering campaign, Easter Egg appeal and charity walks. Several local and national charities have been supported through the year by colleague fundraising, including Macmillan Cancer Support, The Children's Heart Surgery Fund, Red Nose Day and Children in Need. All colleagues are granted a day's paid volunteering and the Group encourages colleagues to use this day to take part in local volunteering activity. We are delighted that FY23 has seen a higher than ever take up of volunteering days. Further details of the Group's charitable activity is set out on page 35.
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 nine times a year at various Company locations in accordance with its scheduled meeting calendar and this schedule is supplemented with additional meetings as and when required and monthly Board reports circulated in respect of the previous month. The annual calendar includes presentations from all members of the Operating Board through the course of the year. 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 for the previous month together with additional topics based on the annual Board calendar. 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 Chair 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 Nick Bate (Chair), Alan Aubrey (having replaced Jon Kempster during the year) and Helena Feltham. The Committee meets at least once a year and further 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 Alan Aubrey as Non-Executive Director and Chair of the Audit Committee and has also been involved in recruitment of a new Remuneration Committee Chair to replace Helena Feltham, who stepped down following the year end. 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
Principle 9 cont Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	**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 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 one-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, monthly colleague briefing sessions and following year end, the Company launched its latest colleague survey. Further details of how the Company maintains a dialogue with customers and suppliers, both being key stakeholders, are set out in the section 172 statement at pages 26 to 29 of this Report.

The following table details the attendance of the Board members at regular scheduled Board and Committee meetings held during FY23 which they were eligible to attend.

Name	Position (at 31 March 2023)	Main Board		Audit Commitee		Remuneration Commitee		Nomination Commitee	
		Total	Attended	Total	Attended	Total	Attended	Total	Attended
Nick Bate	-	9	9	-	-	2	2	1	1
Jon Kempster (Resigned 21 July 2022)	NED	3	3	1	1	1	0	0	0
Alan Aubrey (Appointed 21 July 2022)	NED	6	6	3	3	1	1	1	1
Helena Feltham (Resigned 24 July 2023)	NED	9	9	4	4	2	2	1	1
Peter Brotherton	CEO	9	9	-	-	-	-	-	-
David Senior	CFO	9	9	-	-	-	-	-	-

Corporate Governance (continued)

Non-Executive Directors

Nick Bate
Independent Non-Executive Chair of the Board

Appointment date:
17 November 2021

Committee membership:
Chair of the Nomination Committee, member of the Remuneration Committee and interim member of the Audit Committee

Experience and external appointments: Nick is an experienced chairman and non-executive director of a portfolio of companies across the data, communications, software and financial services sectors, and most recently sat on the board of directors for Nasstar plc for over 6 years. Nick has a proven track record in delivering successful growth through the application of his financial, commercial and operational skills and strong experience in corporate M&A transactions. Nick is a chartered management accountant.

Alan Aubrey
Independent Non-Executive Director (and Senior Independent Director

Appointment date:
21 July 2022

Committee membership:
Chair of the Audit Committee, interim Chair of the Remuneration Committee and a member of the Nomination Committee

Experience and external appointments: Alan is an experienced executive and non-executive director, having been CEO of IP Group plc from 2006 to 2021 and having served as non-executive chair of Ceres Power Holdings plc and Proactis Holdings plc and non-executive director of Avacta Group plc. Alan currently serves as non-executive chair of DeepMatter Group plc and OxCCU Limited, and on the board of Trellix Limited and Rio AI Limited. Alan has also formerly served on the boards of several large private companies, including Oxford Nanopore and Oxford Sciences Innovation plc, and served as a non-executive director and chair of the audit committee of the Department of Business, Innovation, University and Skills ('DIUS', now the Department of Business, Energy and Industrial Strategy, 'BEIS') of the UK government.

Helena Feltham
Independent Non-Executive Director

Appointment date:
7 July 2021

Resignation date:
24 July 2023

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

Experience and external appointments: Helena previously held executive roles at B&Q plc and was People Director at Jack Wills, Woolworths South Africa and Marks and Spencer. She also spent time in executive search with Odgers Berndtson, covering senior appointments across both public and private sectors. She has served as a non-executive director and interim chair at Ted Baker plc, as a non-executive director in the NHS, as an independent director of the Assembly of Wales and as a Justice of the Peace. Helena currently holds non-executive roles with Hostmore plc, Dogwoof, a film and distribution company and The Retail Trust.

Corporate Governance (continued)

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 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. David is a chartered certified accountant with 20 years of experience in finance, including in several senior positions with Wolseley plc.

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Audit Committee Report

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

Governance

During the year the Audit Committee consisted of Jon Kempster (who was Chair of the Committee until his resignation on 21 July 2022), Alan Aubrey (who replaced Jon Kempster as Chair of the Committee on 21 July 2022), and Non-Executive Director, Helena Feltham. Following the year end, on 18 July 2023, Nick Bate was appointed as an interim member of the Committee, given Helena's resignation from the Board on 24 July 2023.

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 for the regular scheduled meetings are provided on page 61.

Key responsibilites

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 Auditor;
- reviewing the scope and results of the external annual audit by the Auditor, their effectiveness, independence and objectivity;
- reviewing the nature and extent of any non-audit services provided by the external Auditor.

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. The Audit Committee acknowledges that there is a requirement for continuous improvement to the control environment particularly following acquisitions completed by the Group in the year and as such, as part of integration of acquired businesses, there are ongoing plans to address risk and control weaknesses. The Group continues to operate a tiered hierarchy for risk management, with functional management of direct risks and consistent measures across all functions, and escalation of significant value risks, along with principal corporate risks, to the Group's corporate risk register. The corporate risk register is shared and refined with the Audit Committee and Board at key intervals in the year, coordinated by the Chief Financial Officer and with reporting on mitigating actions for each risk.

In FY23, having identified climate change as a principal risk for the first time in FY22, there has been an increase in focus on emerging climate change related risks with the TCFD recommendations being integrated into the Group's risk management framework. These risks are managed by the Group's newly formed Sustainability Committee, which provides quarterly reports to the Board.

External audit

The Audit Committee approved the appointment and remuneration of the external auditor, 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 Auditor. 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 Auditor on 15 May 2017. This is the second year that Christopher Vaulks has been the engagement leader.

Audit Committee Report (continued)

Financial reporting

The Committee reviewed the full year results including the annual report and accounts, the preliminary results announcement and the report from the external auditor. In reviewing the statements and determining whether they were fair, balanced and understandable, the committee considered the work and recommendations of management as well as the report from the external auditor.

The Committee considered the appropriateness of accounting policies, critical accounting judgements and sources of estimation uncertainty. To do this, the Committee reviewed the information provided by management and the views from the external auditors on the accounting treatments and judgements in the FY23 financial statements.

In preparing the FY23 financial statements, there is judgement relating to the accounting treatment of two of the business combinations, and other judgments involving estimation, that could have a material effect on the amounts recognised in these financial statements. These judgements and estimations are detailed below.

Significant reporting issues and judgements

The significant judgement made in preparing these financial statements relates to the accounting treatment for the Sungard data centres and Sungard consulting business acquisitions as a single transaction. Estimates have been made for the fair value of the consideration transferred for the Sungard and 4D acquisitions, and for the fair value of intangibles assets and property, plant and equipment acquired on the same business combinations completed in the year. Further information is included in note 2.

Going concern

The Committee have reviewed the reports and financial models from management on the going concern assumptions when considering the FY23 results and the long-term viability of the Group. Internal financial projections and the results of stress testing the financial models were taken into account, with management applying severe but plausible downside scenarios. The Committee concluded that these financial statements are appropriate to be prepared on a going concern basis, and are satisfied with the detail and transparency of the basis of preparation disclosure and the judgement involved in determining that there is no material uncertainty.

Alan Aubrey
Chair of the Audit Committee
24 August 2023

NEW CYBER SECURITY DIVISION PROTECTING EVERY PART OF OUR CUSTOMERS ORGANISATION

Directors' Remuneration Report – Annual Statement

Introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2023. As the Company is listed on the Alternative Investment Market ("AIM"), we are required to comply with AIM Rule 19 in respect of remuneration disclosures. However, we also provide additional disclosures to those required by AIM Rule 19 on a voluntary basis, in line with AIM best practice, to enable shareholders to better understand and consider our remuneration arrangements. This report is divided into three sections, these being:

- This **Annual Statement**, which summarises the Committee and its work.
- The **Remuneration Policy Report**, which summarises the Company's Remuneration Policy; and
- The **Annual Report on Remuneration**, which discloses how the Remuneration Policy was implemented in FY23 in detail and how the Policy will operate for FY24.

As a Committee, we recognise the need to foster good relations with our shareholders and encourage open dialogue. The Chair of the Remuneration Committee is available for discussion with institutional investors concerning the Company's approach to remuneration at any time. We trust you will find this Report to be informative and look forward to receiving your support at our forthcoming AGM.

Alan Aubrey
Interim Chair of the Remuneration Committee
24 August 2023

Annual Statement

Committee members

During the year the Remuneration Committee was chaired by Helena Feltham as independent Non-Executive Director and also consisted of Alan Aubrey (who replaced Jon Kempster on the Committee during the year under review) and Nick Bate. Following the year end, on 18 July 2023, Alan Aubrey was appointed interim chair of the Remuneration Committee given Helena's resignation from the Board on 24 July 2023. The Committee meets at least twice a year and at other times during the year as agreed between the members of the Committee. The attendance record for the meetings held in the year is included on page 50.

Committee responsibilities

The Group is committed to maximising shareholder value over time. Each year the Remuneration Committee reviews the incentive and reward packages for the Chairman, Executive Directors and senior executives 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 Company's culture and beliefs and 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 Board (excluding the Non-Executive Directors) 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 or incentive arrangements.

Advisors to the Committee

FIT Remuneration Consultants LLP was appointed to provide independent advice to the Remuneration Committee as and when required in respect of remuneration quantum and structure and developments in governance and best practice more generally. FIT is a member and signatory of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK, details of which can be found at www.remunerationconsultantsgroup.com.

Directors’ Remuneration Report – Annual Statement (continued)

Directors’ Remuneration Policy

This section sets out the Directors’ Remuneration Policy (“Policy”). In order to deliver the Group’s strategy, the primary objectives of our Policy are:

- to operate a transparent, simple and effective remuneration structure which encourages the delivery of Group targets in accordance with our business plan and strategy;
- to attract, motivate and retain the best people of the highest calibre by providing competitive and appropriate short- and long-term variable pay which is dependent upon challenging performance conditions; and
- to promote the Company’s culture and beliefs and promote the long-term success of the Group and ensure that our policy is aligned with the interests of, and feedback from, our shareholders.

Summary of Directors’ Remuneration Policy

Component	Purpose and link to strategy	Operation	Maximum	Performance
Base salary	To provide a competitive base salary to attract, motivate and retain directors with the experience and capabilities to achieve the strategic aims.	Normally reviewed annually after considering pay levels at comparably sized listed companies and sector peers, the performance, role and responsibility of each Director, market conditions and the Company’s performance and the level of pay across the Group as a whole.	n/a	n/a
Benefits	To provide market-competitive benefits package.	Life assurance cover of 4 times salary, private medical insurance for themselves, their spouse and their children.	n/a	n/a
Pension	To provide an appropriate level of retirement benefit.	Workforce aligned pension which may be paid as a pension and/or cash allowance if annual or lifetime limits are met.	Currently 5% of salary	n/a
Annual bonus	To reward performance against annual targets which support the strategic direction of Group.	Cash bonus of up to 50% based on financial and strategic targets and a share bonus of up to 50% also based on financial and strategic targets, paid in the event of exceptional performance against targets.	100% of salary	Sliding scale financial and strategic targets
LTIP	To drive and reward the achievement of longer-term objectives and align management with shareholders.	Conditional shares and/or nil cost or nominal cost share options. Vesting is normally subject to the achievement of challenging performance conditions, normally over a period of three years. Dividend equivalents may be awarded to the extent awards vest. Awards may be subject to malus/clawback provisions at the discretion of the Committee.	200% of salary	Performance metrics will be linked to financial and/or share price and/or strategic performance
All-employee share awards	To align management with employees and shareholders.	Awards will be consistent with prevailing HMRC tax favoured all-employee share plans.	Prevailing HMRC limits	n/a
Non-Executive Directors	The Committee determines the Chairman’s fee. Fees for the Non-Executive Directors are agreed by the Chairman and Chief Executive.	Fees are reviewed annually taking into account the level of responsibility, relevant experience. Fees may include a basic fee and additional fees for further responsibilities. Fees are normally paid in cash. Travel and other reasonable expenses incurred in the course of performing their duties may be reimbursed.	n/a	n/a

Directors' Remuneration Report – Annual Statement

Service contracts

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

	Date of appointment	Contractual notice period (months)	Length of service contract at 31 March 2023
Executive Directors			
Peter Brotherton	28 November 2016	6	6 years 4 months
David Senior	3 April 2020	6	2 years 11 months
Nick Bate	17 November 2021	3	1 year 4 months
Helena Feltham	7 July 2021	3	1 year 8 months
Alan Aubrey	21 July 2022	3	8 months

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

Implementation of the Remuneration Policy for the year ended 31 March 2023

- Salary for the CEO increased to £372,750 from 01 October 2022. Salary for the CFO remained at £200,000 (last increased on 1 October 2021);
- Executive Directors received a workforce aligned pension at 5% of salary;
- Executive Directors received a cash bonus of up to 50%, and although Group EBITDA and Group Net Debt targets were missed, as a result of exceeding the Revenue target and good performance against the strategic targets, bonuses of 15% of salary for the CEO and 12% of salary for the CFO were awarded in cash for the year ended 31 March 2023; and
- Long Term Incentive Plan ("LTIP") awards were granted to the CEO and CFO in October 2022 over shares with a value equal to 200% of salary with the first 100% of salary based on absolute Total Shareholder Return ("TSR") between 5% and 10% p.a. and the additional 100% of salary based on stretch absolute TSR targets of 10% to 15% p.a.

Implementation of the Remuneration Policy for the year ending 31 March 2024

- The CEO will receive a revised salary of £383,993 and the CFO will receive a revised salary of £220,000, both with effect from 01 July 2023;
- Pension provision will continue at 5% of salary in line with the workforce provision;
- Annual cash bonus potential will continue to be capped at 50% of salary for FY24. 80% of the bonus will be payable against financial targets and 20% will be based on strategic targets. A share bonus of up to 50% of salary will be payable in the event of exceptional performance against financial and strategic targets; and
- 2023 LTIP awards will be granted to Executive Directors in line with the annual grant policy over shares with a value equal to 200% of salary with the first 100% of salary based on absolute Total Shareholder Return ("TSR") between 5% and 10% p.a. and the additional 100% of salary based on stretch absolute TSR targets of 10% to 15% p.a. Details of the awards will be set out in the RNS issued immediately following the grant date.

Directors' Remuneration Report – Annual Statement (continued)

Executive Director's share awards in the Company

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

		Exercise price (p)	Balance, 31 March 2022	Granted	Exercised	Balance, 31 March 2023
Peter Brotherton						
	(a)	0.1	379,267	-	(379,267)	-
	(b)	0.1	242,915	-	-	242,915
	(c)	0.1	554,326	-	-	554,326
	(d)	99.9	18,023	-	-	18,023
	(e)	0.1	-	621,250	-	621,250
			1,194,531	**621,250**	**(379,267)**	**1,436,514**
David Senior						
	(a)	0.1	100,000	-	(100,000)	-
	(b)	0.1	129,555	-	-	129,555
	(c)	0.1	312,296	-	-	312,296
	(e)	0.1	-	333,334	-	333,334
	(f)	96.1	-	18,736	-	18,736
			541,851	**352,070**	**(100,000)**	**793,921**

(a) The options were granted on 28 June 2019 under the Company's LTIP. The options vested post the release of the Group's results for the year ended 31 March 2022 following the achievement of performance conditions related to the growth in share price and were exercised by the CEO and CFO on 14 September 2022.

(b) The options were granted on 8 December 2020 under the Company's LTIP. The options will vest post the release of the Group's results for the year ended 31 March 2023 subject to the achievement of performance conditions related to the growth in share price.

(c) The options were granted on 18 November 2021 under the Company's LTIP. The options will vest three years from grant subject to absolute Total Shareholder Return (TSR) Targets. For awards up to 100% of salary, 25% will vest for TSR of 5% p.a. increasing pro-rata to 100% vesting for TSR of 10% p.a. For awards between 100% and 200% of salary, 0% will vest for TSR of 10% p.a. increasing pro-rata to 100% vesting for TSR of 15% p.a.

(d) The options were granted on 23 December 2021 under the SAYE option plan under which employees contribute a monthly amount which is saved over three years to buy shares. The options are exercisable from 1 February 2025. There are no performance conditions.

(e) The options were granted on 12 October 2022 under the Company's LTIP. The options will vest three years from grant subject to absolute Total Shareholder Return (TSR) Targets. For awards up to 100% of salary, 25% will vest for TSR of 5% p.a. increasing pro-rata to 100% vesting for TSR of 10% p.a. For awards between 100% and 200% of salary, 0% will vest for TSR of 10% p.a. increasing pro-rata to 100% vesting for TSR of 15% p.a.

(f) The options were granted on 26th August 2022 under the SAYE option plan under which employees contribute a monthly amount which is saved over 3 years to buy shares. The options are exercisable from 01 October 2025. There are no performance conditions.

Directors' Remuneration Report – Annual Statement (continued)

Annual Report on Remuneration

Single total figure of remuneration for Directors

The remuneration of the Directors in respect of FY23, with prior year comparatives, was as follows:

	Year	Base Salary / Fees £000	Annual Bonus[1] £000	Pension £000	Share-based payments £000	**Total £000**
Executive						
Peter Brotherton	**FY23**	**368**	**54**	**16**	**393** [2]	**831**
	FY22	328	-	15	520 [3]	863
David Senior	**FY23**	**200**	**24**	**11**	**104** [4]	**339**
	FY22	180	-	8	105 [5]	293
Non-Executive Directors						
Nick Bate	**FY23**	**85**	**-**	**-**	**-**	**85**
	FY22	31	-	-	-	31
Helena Feltham	**FY23**	**50**	**-**	**-**	**-**	**50**
	FY22	37	-	-	-	37
Alan Aubrey	**FY23**	**38**	**-**	**-**	**-**	**38**
(appointed 21 July 2022)	FY22	-	-	-	-	-
Former Directors						
Jon Kempster	**FY23**	**25**	**-**	**-**	**-**	**25**
(resigned 21 July 2022)	FY22	49	-	-	-	49
Ian Johnson	**FY23**	**-**	**-**	**-**	**-**	**-**
(resigned 17 November 2021)	FY22	54	-	-	-	54
Stephen Vaughan	**FY23**	**-**	**-**	**-**	**-**	**-**
(resigned 28 April 2021)	FY22	11	-	-	-	11
Total	**FY23**	**766**	**78**	**27**	**497**	**1,368**
	FY22	690	-	23	625	1,338

1. The annual bonus plan for FY23 was based on sliding scale Revenue (15%), EBITDA (50%), Group Net Debt (15%) and Strategic targets (20%). Although the threshold Group EBITDA and Group Net Debt targets were missed, as a result of exceeding the Revenue target and good performance against the strategic targets, bonuses of 15% of salary for the CEO and 12% of salary for the CFO were awarded for the year ended 31 March 2023. As the awards are below the 50% of salary deferral threshold, the bonus awards were paid in cash.
2. On 14 September 2022, Peter Brotherton exercised options over 379,267 ordinary shares of 0.1p each at a price of 103.5 pence per Ordinary Share resulting in a pre-tax gain of £392,541.
3. On 23 November 2021 Peter Brotherton exercised options over 298,879 ordinary shares of 0.1p each at a price of £1.24 resulting in a pre-tax gain of £370,493. The share-based payments charge for the year includes £149,996 in relation to an allotment of shares to Peter Brotherton. The allotment was made for over achievement against bonus targets in the financial year ended 31 March 2021 and the allotted shares cannot be sold for a period of 2 years from issue.
4. On 14 September 2022, David Senior exercised options over 100,000 ordinary shares of 0.1p each at a price of 103.5 pence per Ordinary Share resulting in a pre-tax gain of £103,500.

Directors’ Remuneration Report – Annual Statement (continued)

5. On 23 November 2021 David Senior exercised options over 20,000 ordinary shares of 0.1p each at a price of £1.24 resulting in a pre-tax gain of £24,792. The share-based payments charge for the year includes £79,950 in relation to an allotment of shares to David Senior. The allotment was made for over achievement against bonus targets in the financial year ended 31 March 2021 and the allotted shares cannot be sold for a period of 2 years from issue.

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 2023	Interests in ordinary shares at 31 March 2022	Interests in share-based incentive options at 31 March 2023	Interests in share-based incentive options at 31 March 2022
Executive				
Peter Brotherton	**437,136**	438,571	**1,436,514**	1,194,531
David Senior	**106,550**	56,550	**793,921**	541,851
Non-Executive				
Nick Bate	**40,000**	-	**-**	-
Helena Feltham	**-**	-	**-**	-
Alan Aubrey	**40,650**	-	**-**	-

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 2023 £000	Year ended 31 March 2022 £000	Change %
Employee expenditure	**34,479**	22,851	50.9%
Distributions to shareholders	**5,593**	5,627	(0.6%)
Average number of employees	**588**	486	21.0%
Revenue	**141,674**	93,328	51.8%
Adjusted EBITDA	**24,492**	23,713	3.3%

Share price

The market price of the Company’s shares on 31 March 2023 was 135.00p per share. The highest and lowest market prices during the FY23 were 143.50p and 99.99p respectively.

Alan Aubrey
Interim Chair of the Remuneration Committee
24 August 2023

Directors' Report

The Directors presents their annual report together with the audited financial statements for FY23.

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 1-27 contains a review of the business, future developments and the principal risks and uncertainties.

Dividends

A final dividend payment of 2.4p per share is expected to be paid on 19 January 2024, subject to approval at the Company's AGM, to shareholders on the register at the close of business on 8 December 2023 with shares going ex-dividend on 7 December 2023. The last day for Dividend Reinvestment Plan elections is 27 December 2023.

Substantial shareholders

As at 31 March 2023 and 31 July 2023 (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 2023 Number	31 March 2023 %	31 July 2023 Number	31 July 2023 %
Kestrel Investment Partners	29,148,518	18.65%	30,834,974	19.73%
Lombard Odier Asset Management	25,391,824	16.25%	25,727,201	16.46%
ND Capital Investments Ltd	24,840,868	15.90%	24,840,868	15.90%
Slater Investments	18,550,768	11.87%	18,550,768	11.87%
Harwood Capital	17,084,000	10.93%	17,081,500	10.93%
Chelverton Asset Management	7,626,122	4.88%	5,870,000	3.76%

As of 31 July 2023, the Company's issued share capital is 156,263,260 ordinary shares.

Directors and their interests

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

- Nick Bate
- Alan Aubrey (appointed 21 July 2022)
- Helena Feltham (resigned 24 July 2023)
- Peter Brotherton
- David Senior
- Jon Kempster (resigned 21 July 2022)

Details of Directors' remuneration, service agreements and interests in the share capital of the Company are provided in the Directors' Remuneration Report on pages 55 to 57. Details of the Directors' contracts, remuneration and share options granted are also set out in the Annual report on remuneration, on page 58 and 59.

All 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' Report (continued)

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 the last financial year 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 all employee calls), consulting them or their representatives regularly (including through colleague forums, roadshows, the Company's newsletter 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's performance is encouraged (including through employee share schemes such as the Save As You Earn Scheme), 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 its employee.

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.

For further information on our colleagues see pages 23 to 26 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 1 to 27. A commentary on the revenue, trading results and cash flows is provided in the financial review on pages 7 to 13.

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 consolidated financial statements have been prepared and approved by the directors in accordance with applicable law and UK-adopted international accounting standards.

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

The Group meets its day to day working capital requirements from operational cash flows, a revolving credit facility, an asset financing facility and leasing arrangements (see note 24).

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

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

Following the acquisitions made in the year, the Group has invested heavily in integration and efficiency programmes which are expected to deliver significant benefits to the business from FY25 onward. In anticipation of the effect of those investments on continued covenant compliance, in March 2023 the Directors agreed an amendment to the borrowings facility agreement with the banking syndicate to apply less stringent debt covenant requirements for the quarters ended March and June 2023 and quarters ending September and December 2023 (see note 24 for details). There were no other material changes to the terms and conditions of the borrowings because of this amendment.

The Directors' forecasts in respect of the going concern assessment period have been built from the detailed Board approved budget for the year ending 31 March 2024 and forecasts for the year ending 31 March 2025, and the going concern assessment takes account of the updated debt covenant requirements agreed in the amended agreement. The forecasts include a number of assumptions in relation to order intake, renewal and churn rates, EBITDA margin improvements, capital expenditure requirements to service our customers and the full year impact of the further acquisitions made in FY23 and associated synergies and efficiencies. Revenue assumptions reflect pre-covid levels achieved, which

Directors' Report (continued)

Going concern (continued)

have been adjusted for the enlarged customer base and additional products following the acquisitions made in FY23. Both the base case and sensitised forecasts (detailed below) include significant utilisation of the Group's asset financing facility.

Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment continues to present several challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to, achieving forecast levels of order intake, the impact on customer confidence as a result of general economic conditions, inflationary pressures driving continued interest rate increases and the achievability of actions the Directors consider they would take, and which are entirely within their control, should further risks materialise.

Whilst cost inflation is an important consideration for the Group, the Directors have already taken positive action to mitigate this issue in respect of the Group's single largest external cost item, electricity. The Group has entered into contracts with energy brokers and has agreed own-use commodity prices for a significant proportion of its expected FY24 and FY25 electricity volumes, which significantly reduces its exposure to price volatility. The Group can flex contracted volumes to match expected usage volumes giving 30 days' notice.

In making their going concern assessment considering these risks, the Directors have also modelled a severe but plausible downside scenario when preparing the forecasts.

The severe but plausible downside scenario assumes significant economic downturn over FY24 and into FY25, impacting forecast new order intake and customer cancellations for recurring revenue, reduced non-recurring revenue levels, a reduction of synergies compared to forecast levels, and inflationary pressures driving continued interest rate rises. All of these downside scenarios have been combined into the Board's severe but plausible assessment.

Under this severe but plausible downside scenario, recurring monthly new order intake is forecast to reduce by 30% and non-recurring product and services revenues reduce by 20%. These reductions have been modelled against the base case budget and incorporate both potential supply chain issues and customer timing preferences which could impact the phasing of non-recurring revenues, and reduced investment from our customer base more generally. Increased customer cancellation rates on recurring monthly revenues have also been considered in addition to expected benefits from electricity volume efficiencies forecast in the Group's data centres being reduced by 50%. Finally, in considering an increased cost to the Group of its variable rate revolving credit facility debt, UK interest rates are modelled to continue to increase by 0.5% per quarter, to a maximum of 7%.

In isolation, each individual downside factor is plausible, however in order to demonstrate the severity of circumstances that would result in the Group coming close to being unable to comply with debt covenants, the above scenarios have been modelled simultaneously in the severe but plausible downside scenario.

The Directors note the uncertainties surrounding the timing and extent of non-recurring revenues from quarter to quarter, and the timing and extent of capital expenditure, with increased utilisation of the Group's asset financing facility modelled under both the base case budget and the severe but plausible downside scenario. As a result, the Directors continue to closely monitor quarterly liquidity together with debt covenant compliance forecasts. Under the severe but plausible downside scenario outlined above, there is limited covenant headroom available throughout the going concern assessment period. As a result, the Directors expect that the final dividend for FY23, which is to be considered for approval at the AGM on 28 September 2023, will be paid in the final quarter of the financial year FY24. The cashflow forecasts prepared and as described above, include a final FY23 dividend payment in January 2024 and the Directors will continue to monitor quarterly liquidity and debt covenant compliance and the timing of subsequent dividend payments.

While the Directors consider that the downside scenario modelled represents a severe stress, additional mitigating actions remain available that have not been modelled including the rephasing of non-essential capital expenditure, and the rephasing or reduction of certain non-essential costs.

Under the severe but plausible downside scenario modelled, the forecasts demonstrate that the Group is expected to maintain sufficient liquidity and will continue to comply with its debt covenants throughout the going concern assessment period, though covenant headroom is limited throughout and the increased utilisation level of the Group's asset financing facility is required to ensure continued compliance with debt covenants.

The Directors therefore remain confident that the Group and parent Company have adequate resources to continue to meet their liabilities as and when they fall due within a period of at least 12 months from the date of approval of these financial statements, and have therefore prepared the financial statements on a going concern basis.

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 and 2020 AGM, and in September 2019 the Company announced that it had approved a share buyback programme of the Company's ordinary shares for an aggregate purchase price of up to £2million (the "Programme"). The Company announced shortly after the end of FY20 that the Programme would be temporarily halted until such time as the outlook around COVID-19 became more certain and in November 2020, in the announcement of its audited results for the six months to 30 September 2020, the Company announced that it would reinstate the Programme. During FY22 the Company recommenced the Programme and obtained approval from the Board to increase the aggregate consideration payable under the Programme to £5 million in total, resulting in a 2,160,500 shares repurchased and a closing balance of 2,170,203 at the end of FY22. No further purchases were made in FY23, though several share options exercised during the year were settled using treasury shares meaning the number of shares held in treasury at 31 March 2023 was 728,722.

Annual General Meeting

The 2023 AGM will be held at the offices of finnCap plc at 1 Bartholomew Close, London EC1A 7BL at 13:30 on 28 September 2023. The notice convening the AGM and what shareholders should do to register their intention to attend and/or vote by proxy are contained in a separate circular to shareholders and on the Group's website at https://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 Report and 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

There have been no significant events between the balance sheet date and the date of approval of these accounts. Please refer to note 34 for the specific recognition of subsequent events that may have an impact to the readers of these accounts.

By order of the Board

Nick Heron
Company Secretary
24 August 2023

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and they have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, 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 parent company and of the Group's profit or loss for that period. In preparing each of the Group and parent 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 UK-adopted international accounting standards;
- for the parent 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 parent 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 parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company 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 Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Nick Heron
Company Secretary
24 August 2023

KPMG

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 2023 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, Company Balance Sheet, Company Statement of Changes in Equity and the related notes, including the accounting policies in note 1 to both the consolidated financial statements and Company financial statements.

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 2023 and of the Group's loss for the year then ended;

— the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;

— 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 other entities of public interest. 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	£1,100,000 (2022: £755,000) 0.8% (2022: 0.8%) of Group Revenue	
Coverage	96% (2022: 94%) of total profits and losses that make up Group (loss)/profit before tax	
Key audit matters		**vs 2022**
New risks	Going concern	▲
Recurring risks	Revenue recognition	◄►
	Recoverability of parent Company's investment in subsidiaries	◄►
Event driven	**New:** Valuation of intangible assets acquired in the Sungard and 4D Data Centres acquisitions and valuation of certain property, plant and equipment acquired as part of the Sungard business combination	▲

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

Key audit matters are those matters that, in our professional judgement, 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
Going concern (Group and parent Company) See Note 1.1 to the Group financial statements *Refer to pages 73-74 (Directors' Report) and page 65 (Audit Committee Report)*	**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 and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company'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 and Company's available financial resources and/or metrics relevant to debt covenants over this period were: • The timing and extent of cash outflows relating to dividends and capital expenditure and their resulting impacts on the Group's debt covenant compliance; • A reduction in non-recurring revenues as a result of supply chain issues or loss of customer confidence and uncertainties over the timing and extent of non-recurring revenues from quarter to quarter; • The inability to achieve the growth and new order intake targets in the Group's base case forecasts; • The failure to achieve forecast energy efficiencies; • Adverse impacts from inflationary pressures, such as interest rates; and • The inability to utilise the Group's asset financing facility to fund certain items of capital expenditure. There are also less predictable but realistic second order impacts, such as the erosion of customer confidence resulting in increased cancellation rates for recurring revenues, 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.	We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. Our procedures also included: — **Funding assessment:** we read the revolving credit facility (RCF) agreement and amendment letter to understand the terms, including covenant requirements. We reperformed the key financial covenants calculations for 30 September 2023, 31 December 2023, 30 March 2024 and 30 June 2024 assessing compliance at these dates. We considered the adjustments made in the adjusted cashflow and adjusted EBITDA for the covenant calculations, considering the appropriateness compared to the loan agreements and historical accepted practice with the lenders. — **Historical comparisons:** we assessed the ability of the Group to accurately forecast by comparing historical results to forecasts for key metrics. We assessed the most recent years' performance against budgets, and challenged the assumptions over the going concern period based on historical performance. — **Test of detail:** we critically assessed the cash flow forecasts by considering the appropriateness of key assumptions used in preparing those projections, with a focus on revenue growth, cost inflation and energy efficiency assumptions and the timing and extent of cashflows, including capital expenditure and dividend payments. We evaluated these via enquiries with the Chief Executive Officer, Chief Financial Officer, and inspected the forecasts and associated papers. — **Our sector experience:** we assessed the projections and assumptions by reference to our knowledge of the business and general market conditions including the potential risk of management bias. — **Sensitivity analysis:** we critically challenged the downside sensitivities assessing whether these represented severe but plausible scenarios based on our knowledge of the business and considering the most recent trading results. We also challenged the mitigating actions, to identify whether these were reasonable, achievable and within the control of the Group. — **Evaluating directors' intent:** we evaluated the achievability of the actions the directors have modelled in the base case and severe but plausible downside scenario, including the increased utilisation of the Group's asset financing facility and the timing of dividend payments, taking into account the extent to which the directors can control the timing and outcome of these. We obtained written representations from the directors with regards to the adequacy of the going concern disclosure, and the timing and evaluation of capital expenditure and dividend payments. — **Assessing transparency:** we assessed whether the matters included in the going concern disclosure give a full and accurate description of the directors' assessment, including the judgements made, identified risks and mitigating actions.

	The risk	Our response
Valuation of intangible assets acquired in the Sungard and 4D Data Centres acquisitions and valuation of certain property, plant and equipment acquired as part of the Sungard business combination (Valuation of intangible assets acquired (including goodwill): £23.5 million) (Valuation of certain property, plant and equipment acquired as part of total property, plant and equipment acquired in the Sungard business combination: £9.6 million) *Refer to page 65 (Audit Committee Report), page 92 (accounting policy), page 97 critical accounting judgements, key sources of estimation uncertainty and other areas of estimation) and pages 124-126 (financial disclosures)*	**Subjective estimate and valuation** During the year the Group acquired certain business and assets relating to three data centres, and a consulting business, from Sungard Availability Services (UK) Limited (in administration) ('Sungard'). The Group also completed the acquisition of 4D Data Centres Limited ('4D'). The Group has performed fair value assessments of the identified acquired intangible assets arising from these business combinations. The assessment of the fair value of intangible assets acquired in each business combination involves estimation uncertainty, including forecasting future performance on a market participant basis. As at the date of the acquisitions, there was a high degree of subjectivity in assessing certain assumptions applied by the Group in the discounted cash flow models used to calculate the acquisition date fair value of these assets, including discount rates, EBIT growth and customer attrition rates. The Group has also performed fair value assessments of the acquired tangible assets, including the property, plant and equipment acquired in the acquisitions of the data centres from Sungard. As at the date of the acquisition, there was a high degree of subjectivity in assessing certain assumptions applied by the Group in establishing the depreciated replacement cost and resulting fair values for the property, plant and equipment acquired, including replacement costs, useful economic lives and utilisation levels. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of intangible assets acquired in the Sungard and 4D Data Centres acquisitions and the valuation of certain property, plant and equipment acquired in the Sungard business combination 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.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: — **Test of detail:** we inspected the purchase agreements, board minutes and market announcements and assessed whether firstly, the purchase price allocation accounting reflected these documents, as well as comparing the intangible and tangible assets identified by management to our understanding of the rationale for the purchase based on our inspection of these documents. — **Assessment of experts:** we assessed the competence, capabilities and objectivity of the external valuation experts engaged by the Group to assist in valuing the intangible assets and property, plant and equipment acquired by performing independent research on the qualifications and experience of management's expert, and evaluating the engagement terms. — **Our valuation expertise:** we involved our own valuation specialists to assist us in assessing the appropriateness of the valuation methodologies applied for the intangible assets acquired in the Sungard and 4D acquisitions and the valuation of property, plant and equipment acquired with the Hounslow data centre from Sungard. Our specialists assisted in challenging the key assumptions used such as discount rate, growth and customer attrition rates for intangible assets, and replacement costs, useful economic lives and utilisation levels for property, plant and equipment. — **Benchmarking assumptions:** we challenged the discount rate, EBIT growth rate and useful economic lives by comparing to internally and externally derived data. — **Physical inspection:** we performed a site visit to the largest data centre of the Sungard acquisition which comprised the majority of the fair value of acquired property, plant and equipment and we observed the existence of the major asset categories included in the property, plant and equipment valuation. — **Assessing transparency:** we considered the adequacy of the Group's disclosures in respect of the valuation of the identified intangible assets and property, plant and equipment acquired, including the extent of estimation uncertainty and key assumptions applied in the valuation methodologies.

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	The risk	Our response
Revenue recognition (£141.7 million; 2022: £93.3 million) *Refer to pages 89-91 (accounting policy) and page 99 (financial disclosures)*	**Revenue recognition cut-off** We identified potential incentives and pressures on the Directors relating to investor expectations, compliance with debt covenants and the achievement of bonus targets which increase the risk of fraudulent revenue recognition. Results for any given financial reporting period are expected to be affected by the revenue recognition policies in place, particularly for the Group's recurring revenue stream which represents 90.6% of total revenues, and the accurate accrual and deferral of related amounts at the year-end. There is a risk that amounts recorded in recurring revenue could be subject to manipulation, particularly through the inappropriate accrual and deferral of revenue amounts at the year end. This is particularly the case for the Group's recurring revenue stream, where there are manual aspects of the revenue recognition process, particularly relating to the accrual and deferral of revenue amounts, which provide an opportunity for manipulation. There is a resulting risk that revenue transactions around the year end could be fraudulently recorded, such that revenue is not recognised in line with relevant accounting standards, and in particular that accrued and deferred income recorded at the year end do not exist or are incomplete.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: — **Tests of detail:** ▪ for a sample of revenue transactions recognised one month either side of the balance sheet date, we assessed whether revenue was recognised in the appropriate period by comparing to supporting documentation such as invoices, contracts and customer correspondence; ▪ for a sample of credit notes raised in the two months after the balance sheet date, we assessed whether the credit note related to revenue recognised in the year and if this was indicative of inappropriate revenue recognition through inquiry and inspection of source documentation; ▪ for a sample of customer balances, we assessed the appropriateness of deferred and accrued income at the year-end through inspection of contracts, invoices, customer correspondence and recalculations; ▪ we assessed the year-end bank reconciliations, and obtained bank confirmations to obtain audit evidence over the Group's cash balance and to assess the appropriateness of any significant reconciling items as such items may be indicative of inappropriate revenue recognition; and ▪ for unexpected revenue journal postings (where the opposite side of the journal was posted to an account which would not be expected based on our understanding of business processes and transaction flows), we assessed the nature of the posting and obtained supporting documentation where available. — **Assessing transparency:** we considered the adequacy of the Group's disclosures in respect of revenue recognition policies and the timing of revenue recognition.
Recoverability of parent Company's investment in subsidiaries (£105.1 million; 2022: £104.1 million) *Refer to page 134 (accounting policy) and pages 136-137 (financial disclosures)*	**Low risk, high value** The carrying amount of the parent Company's investments in subsidiaries represents 100% (2022: 100%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: — **Test of detail:** we compared the carrying amount of investments with an estimate of value in use based on forecast future cashflows, assessing the sensitivity of the resulting headroom to reasonably possible changes in assumptions. — **Comparing valuations:** We compared the carrying amount of the Parent Company's investments to the Group's market capitalisation.

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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 £1,100,000 (2022: £755,000), determined with reference to a benchmark of total revenue of £141.7 million (2022: £93.3 million), of which it represents 0.8% (2022: 0.8%). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax, and is reflective of the size and complexity of the Group.

Materiality for the parent Company financial statements as a whole was set at £522,000 (2022: £514,000), determined with reference to a benchmark of parent Company total assets, of which it represents 0.5% (2022: 0.5%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2022: 65%) of materiality for the financial statements as a whole, which equates to £715,000 (2022: £490,000) for the Group and £339,000 (2022: £334,000) for the parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £55,000 (2022: £37,750), in addition to other identified misstatements that warranted reporting on qualitative grounds.

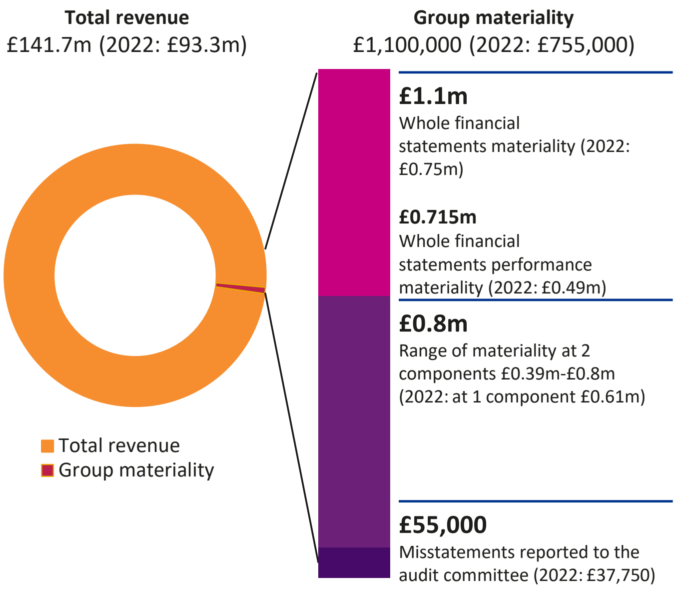
Of the Group’s 6 (2022: 6) reporting components, we subjected 1 (2022: 1) to full scope audits for group purposes and 1 (2022: 0) to specified risk-focused audit procedures. The latter was not financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

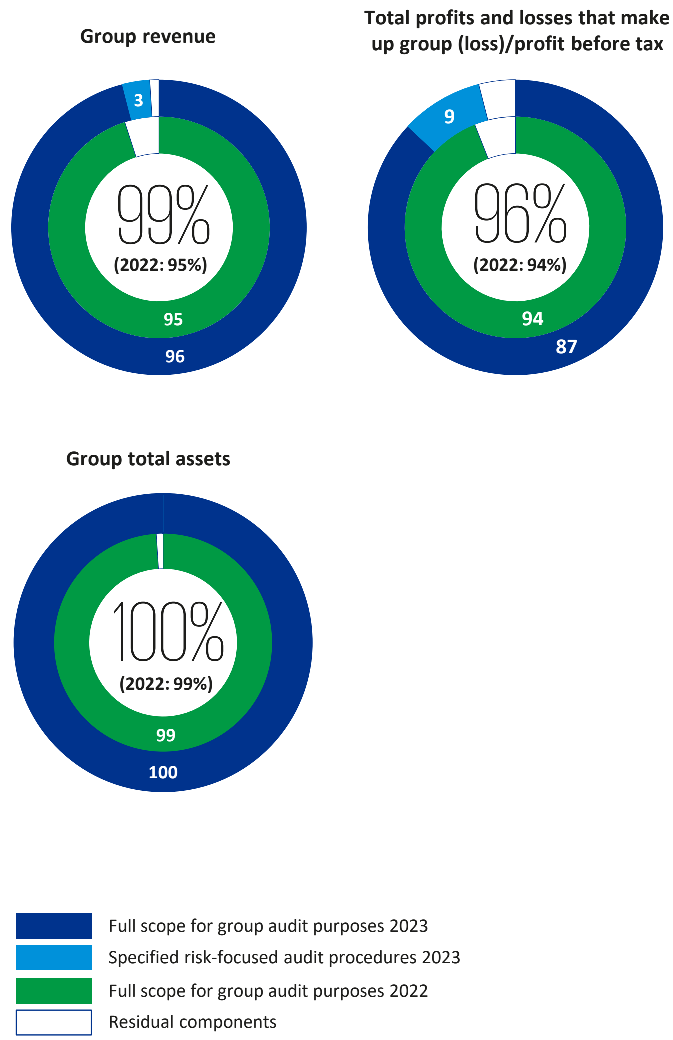
The components within the scope of our work accounted for the percentages illustrated opposite.

For the residual 4 (2022: 5) components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on the 2 (2022: 1) components, and the audit of the parent Company, was performed by the Group team. Component materialities ranged from £388,000 to £800,000 (2022: £612,000), having regard to the mix of size and risk profile of the Group across the components.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.





4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company'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").

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1.1 to be acceptable.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and the Audit Committee, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, Audit Committee, and Remuneration Committee minutes;
- Considering remuneration incentive schemes and performance targets for management; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets in a given year, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that Group management may be in a position to make inappropriate accounting entries; and the risk that revenue is overstated or understated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

Further detail in respect of the revenue recognition cut-off risk is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on certain risk criteria, and comparing the identified entries to supporting documentation. This included those journals with unexpected account pairings or posted to seldom used accounts;
- Assessing if any bias is present in significant management judgements in relation to the accounting for the Sungard business combinations as a single transaction;
- Assessing significant accounting estimates for bias;
- Evaluating the business purpose of significant unusual transactions; and
- Performing procedures over revenue recognition as disclosed in section 2 of this report.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and corruption, employment law, data protection regulations, environmental protection legislation and contract legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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6. 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.

7. 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 76, 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.

9. 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.

Christopher Vaulks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Quayside House
110 Quayside
Newcastle upon Tyne
Tyne and Wear
NE1 3DX

24 August 2023

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Consolidated statement of comprehensive income

for the year ended 31 March 2023

	Note	**Year ended 31 March 2023 £000**	Year ended 31 March 2022 £000
Revenue	6	**141,674**	93,328
Cost of sales		**(40,763)**	(33,778)
Gross Profit		**100,911**	59,550
Operating costs		**(109,938)**	(53,046)
Other operating income	7	**88**	103
Adjusted EBITDA[1]		**24,492**	23,713
Depreciation of property, plant and equipment	16	**(4,636)**	(2,745)
Amortisation of intangibles	15	**(8,773)**	(6,973)
Depreciation of right of use assets	17	**(10,617)**	(4,578)
Exceptional items	9	**(8,149)**	(1,629)
Share-based payments	28	**(1,256)**	(1,181)
Operating (loss)/profit		**(8,939)**	6,607
Finance income		**-**	-
Finance costs	10	**(3,530)**	(1,071)
(Loss)/profit before taxation		**(12,469)**	5,536
Income tax credit	12	**3,219**	1,404
(Loss)/profit for the period attributable to owners of the parent		**(9,250)**	6,940
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(97)**	(26)
Deferred tax movement on share options		**47**	58
Total comprehensive (loss)/profit for the period		**(9,300)**	6,972
Earnings per share			
Basic (loss)/earnings per share	13	**(5.94p)**	4.43p
Diluted (loss)/earnings per share	13	**(5.94p)**	4.36p

The notes on pages 88 to 131 are an integral part of these consolidated financial statements.

[1] For an explanation and reconciliation of the alternative performance measures used in this report, please refer to page 20.

Consolidated statement of financial position

as at 31 March 2023

	Note	31 March 2023 £000	31 March 2022 £000
Non-Current Assets			
Intangible assets	15	**83,217**	67,726
Property, plant and equipment	16	**17,131**	5,372
Right-of-use assets	17	**46,282**	17,038
Deferred tax asset	18	**1,076**	3,999
		147,706	94,135
Current Assets			
Inventories	19	**3,716**	1,393
Trade and other receivables	20	**39,254**	22,123
Corporation tax receivable		**48**	-
Cash and cash equivalents		**1,366**	1,804
		44,384	25,320
Total Assets		**192,090**	119,455
Current Liabilities			
Trade and other payables	22	**(43,578)**	(24,053)
Corporation tax payable		**-**	(800)
Bank and term loans	24	**(475)**	(508)
Lease liabilities	24	**(10,804)**	(4,086)
Provisions	26	**(1,841)**	-
Contingent consideration	23	**(2,990)**	(422)
		(59,688)	(29,869)
Non-Current Liabilities			
Bank and term loans	24	**(33,651)**	(496)
Lease liabilities	24	**(29,400)**	(13,359)
Provisions	26	**(11,160)**	(3,883)
		(74,211)	(17,738)
Total Liabilities		**(133,899)**	(47,607)
Net Assets		**58,191**	71,848
Equity			
Called up share capital	27	**157**	157
Share premium account	27	**73,267**	73,267
Common control reserve		**(9,454)**	(9,454)
Own shares held in treasury	27	**(898)**	(2,673)
Retained earnings		**(4,881)**	10,551
Total Equity		**58,191**	71,848

The notes on pages 88 to 131 are an integral part of these consolidated financial statements.

The financial statements of Redcentric Plc (Registration Number 08397584) on pages 84 to 87, and the notes to these financial statements on pages 88 to 131 were approved by the Board on 24 August 2023 and are signed on its behalf by:

David Senior
Chief Financial Officer

Consolidated cash flow statement

for the year ended 31 March 2023

	Note	**Year ended 31 March 2023 £000**	Year ended 31 March 2022 £000
(Loss)/profit before taxation		**(12,469)**	5,536
Finance costs	10	**3,530**	1,071
Operating (loss)/profit		**(8,939)**	6,607
Adjustment for non-cash items			
Depreciation and amortisation	15,16,17	**24,026**	14,296
Exceptional items	9	**8,149**	1,629
Share-based payments	28	**1,256**	1,181
Operating cash flow before exceptional items and movements in working capital		**24,492**	23,713
Transfer from intangible assets to cost of sales		**-**	140
Non-cash provision movements		**-**	(577)
Cash costs of exceptional items	9	**(8,258)**	(2,091)
Operating cash flow before changes in working capital		**16,234**	21,185
Changes in working capital			
Increase in inventories		**(2,324)**	(185)
(Increase)/decrease in trade and other receivables		**(15,463)**	559
Increase/(decrease) in trade and other payables		**16,377**	(4,391)
Cash generated from operations		**14,824**	17,168
Tax (paid)/received		**(670)**	246
Net cash generated from operating activities		**14,154**	17,414
Cash flows from investing activities			
Purchase of property, plant and equipment		**(5,505)**	(2,264)
Disposal of non-core contracts		**-**	5,750
Acquisition of subsidiaries (net of cash acquired)		**(26,606)**	(10,422)
Purchase of intangible fixed assets		**(869)**	(501)
Net cash used in investing activities		**(32,980)**	(7,437)
Cash flows from financing activities			
Dividends paid	14	**(5,593)**	(5,627)
Share buyback	27	**-**	(2,666)
Disposal of treasury shares on exercise of share options		**229**	-
Cash received on exercise of share options		**-**	12
Sale and leaseback of fixed assets		**966**	-
Interest paid		**(1,771)**	(97)
Interest paid on leases		**(1,218)**	(839)
Repayment of leases	24	**(6,901)**	(3,745)
Repayment of term loans	24	**(508)**	(487)
Drawdown of borrowings	24	**55,500**	4,500
Repayment of borrowings	24	**(21,500)**	(4,500)
Payment of loan arrangement fees		**(713)**	-
Issue of shares		**-**	1
Net cash used in financing activities		**18,491**	(13,448)
Net decrease in cash and cash equivalents		**(335)**	(3,471)
Cash and cash equivalents at beginning of period		**1,804**	5,250
Effect of exchange rates		**(103)**	25
Cash and cash equivalents at end of the period		**1,366**	1,804

The notes on pages 88 to 131 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 March 2023

	Share capital £000	Share premium £000	Common control reserve £000	Own shares held in treasury £000	Retained earnings £000	**Total equity £000**
1 April 2021	156	73,267	(9,454)	(32)	8,153	72,090
Profit for the period	-	-	-	-	6,940	6,940
Transactions with owners						
Share-based payments	-	-	-	-	1,067	1,067
Share buyback	-	-	-	(2,666)	-	(2,666)
Issue of new shares	1	-	-	-	-	1
Dividends paid	-	-	-	-	(5,627)	(5,627)
Share option exercises	-	-	-	25	(14)	11
Other comprehensive income						
Deferred tax movement on share options	-	-	-	-	58	58
Currency translation differences	-	-	-	-	(26)	(26)
At 31 March 2022	**157**	**73,267**	**(9,454)**	**(2,673)**	**10,551**	**71,848**
Loss for the period	-	-	-	-	(9,250)	(9,250)
Transactions with owners						
Share-based payments	-	-	-	-	1,044	1,044
Share buyback	-	-	-	-	-	-
Issue of new shares	-	-	-	-	-	-
Dividends paid (note 14)	-	-	-	-	(5,593)	(5,593)
Share option exercises	-	-	-	1,775	(1,546)	229
Deferred tax relating to prior periods	-	-	-	-	(37)	(37)
Other comprehensive income						
Deferred tax movement on share options	-	-	-	-	47	47
Currency translation differences	-	-	-	-	(97)	(97)
At 31 March 2023	**157**	**73,267**	**(9,454)**	**(898)**	**(4,881)**	**58,191**

The notes on pages 88 to 131 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 31 March 2023

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 in the current and prior period.

These financial statements are presented in pound sterling, being the currency of the primary economic environment in which the Group operates.

The financial statements are prepared on the historical cost basis except that contingent consideration is measured at fair value.

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 meets its day to day working capital requirements from operational cash flows, a revolving credit facility, an asset financing facility and leasing arrangements (see note 24).

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

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

Following the acquisitions made in the year, the Group has invested heavily in integration and efficiency programmes which are expected to deliver significant benefits to the business from FY25 onward. In anticipation of the effect of those investments on continued covenant compliance, in March 2023 the Directors agreed an amendment to the borrowings facility agreement with the banking syndicate to apply less stringent debt covenant requirements for the quarters ended March and June 2023 and quarters ending September and December 2023 (see note 24 for details). There were no other material changes to the terms and conditions of the borrowings because of this amendment.

The Directors' forecasts in respect of the going concern assessment period have been built from the detailed Board approved budget for the year ending 31 March 2024 and forecasts for the year ending 31 March 2025, and the going concern assessment takes account of the updated debt covenant requirements agreed in the amended agreement. The forecasts include a number of assumptions in relation to order intake, renewal and churn rates, EBITDA margin improvements, capital expenditure requirements to service our customers and the full year impact of the further acquisitions made in FY23 and associated synergies and efficiencies. Revenue assumptions reflect pre-covid levels achieved, which have been adjusted for the enlarged customer base and additional products following the acquisitions made in FY23. Both the base case and sensitised forecasts (detailed below) include significant utilisation of the Group's asset financing facility.

Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment continues to present several challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to, achieving forecast levels of order intake, the impact on customer confidence as a result of general economic conditions, inflationary pressures driving continued interest rate increases and the achievability of actions the Directors consider they would take, and which are entirely within their control, should further risks materialise.

Whilst cost inflation is an important consideration for the Group, the Directors have already taken positive action to mitigate this issue in respect of the Group's single largest external cost item, electricity. The Group has entered into contracts with energy brokers and has agreed own-use commodity prices for a significant proportion of its expected FY24 and FY25 electricity volumes, which significantly reduces its exposure to price volatility. The Group can flex contracted volumes to match expected usage volumes giving 30 days' notice.

In making their going concern assessment considering these risks, the Directors have also modelled a severe but plausible downside scenario when preparing the forecasts.

The severe but plausible downside scenario assumes significant economic downturn over FY24 and into FY25, impacting forecast new order intake and customer cancellations for recurring revenue, reduced non-recurring revenue levels, a reduction of synergies compared to forecast levels, and inflationary pressures driving continued interest rate rises. All of these downside scenarios have been combined into the Board's severe but plausible assessment.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

1.1 Basis of preparation (continued)

Under this severe but plausible downside scenario, recurring monthly new order intake is forecast to reduce by 30% and non-recurring product and services revenues reduce by 20%. These reductions have been modelled against the base case budget and incorporate both potential supply chain issues and customer timing preferences which could impact the phasing of non-recurring revenues, and reduced investment from our customer base more generally. Increased customer cancellation rates on recurring monthly revenues have also been considered in addition to expected benefits from electricity volume efficiencies forecast in the Group's data centres being reduced by 50%. Finally, in considering an increased cost to the Group of its variable rate revolving credit facility debt, UK interest rates are modelled to continue to increase by 0.5% per quarter, to a maximum of 7%.

In isolation, each individual downside factor is plausible, however in order to demonstrate the severity of circumstances that would result in the Group coming close to being unable to comply with debt covenants, the above scenarios have been modelled simultaneously in the severe but plausible downside scenario.

The Directors note the uncertainties surrounding the timing and extent of non-recurring revenues from quarter to quarter, and the timing and extent of capital expenditure, with increased utilisation of the Group's asset financing facility modelled under both the base case budget and the severe but plausible downside scenario. As a result, the Directors continue to closely monitor quarterly liquidity together with debt covenant compliance forecasts. Under the severe but plausible downside scenario outlined above, there is limited covenant headroom available throughout the going concern assessment period. As a result, the Directors expect that the final dividend for FY23, which is to be considered for approval at the AGM on 28 September 2023, will be paid in the final quarter of the financial year FY24. The cashflow forecasts prepared and as described above, include a final FY23 dividend payment in January 2024 and the Directors will continue to monitor quarterly liquidity and debt covenant compliance and the timing of subsequent dividend payments.

While the Directors consider that the downside scenario modelled represents a severe stress, additional mitigating actions remain available that have not been modelled including the rephasing of non-essential capital expenditure, and the rephasing or reduction of certain non-essential costs.

Under the severe but plausible downside scenario modelled, the forecasts demonstrate that the Group is expected to maintain sufficient liquidity and will continue to comply with its debt covenants throughout the going concern assessment period, though covenant headroom is limited throughout and the increased utilisation level of the Group's asset financing facility is required to ensure continued compliance with debt covenants.

The Directors therefore remain confident that the Group and parent Company have adequate resources to continue to meet their liabilities as and when they fall due within a period of at least 12 months from the date of approval of these financial statements, and have therefore prepared the financial statements on a going concern basis.

1.2 Changes In accounting policy and disclosure

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.

1.3 Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 March 2023.

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.

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' requires "performance obligations" to be identified at the inception of the contract for each of the distinct goods or services that have been promised 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 satisfied and the related revenue recognition policy. The Group does not consider that there are any significant judgements made in concluding when a customer obtains control of a promised good or service.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

1.5 Revenue recognition (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, license 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.	Revenues for product sales are 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), so 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 (e.g., hardware sales). 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 of the performance obligation (e.g. upon delivery to the customer).

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 of the revenue recognition point are recognised as deferred income within trade and other payables and amounts billed in arrears are accrued income within trade and other receivables. Revenue expected to be recognised in future periods for performance obligations that are not complete (or partially complete) as at 31 March 2023 is £219m. Of this, £215m 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 2022 was £117m. Of this, £108m related to revenue for recurring managed services. 30 days standard payment terms are offered to customers.

The Group pays commission to its sales teams for new contracts and renewals with the associated cost recognised over the life of the contract in accordance with IFRS15. Commission payments paid in advance are recognised as a contract assets in trade and other receivables.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

1.5 Revenue recognition (continued)

Incremental revenues are generated based on usage for calls and data. Some managed service contracts contain an element of usage-based charges, and customers may request additional services or changes in scope, both resulting in additional charges. Usage-based charges are typically billed in arrears, in the period subsequent to which the usage takes place, and revenue is therefore, accrued in the month which usage takes place. For changes in scope or additional services, a new distinct contract is entered into, with revenue recognised as above.

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 an understanding of the Group's financial performance. Exceptional items are excluded from the Group's alternative performance measures (APMs), as defined on page 20, and are disclosed in detail in note 9. Amounts included in exceptional items may also represent true ups presented as exceptional in prior periods.

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 costs of equity-settled transactions with employees are settled by Redcentric Solutions Limited on behalf of the parent Company and added to the cost of the investment in the parent Company.

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

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

1.8 Taxation (continued)

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.

1.9 Foreign currencies

The functional and presentation currency of Redcentric plc is Pound 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 Business combinations

Business combinations are accounted for by applying the acquisition method at the accounting date, which is the date on which control is transferred to the Group. 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.

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.

Where an acquisition involves a potential payment of contingent consideration the cost is estimated based on its acquisition date fair value and is included as part of the consideration transferred in a business combination. To estimate the fair value an assessment is made as to the amount of additional consideration that is likely to be paid with reference to the associated criteria. Where a change is made to the fair value of contingent consideration within the initial measurement period as a result of new or additional information that existed at the acquisition date the change is accounted for as a retrospective adjustment to goodwill. Any change as a result of events that occurred after the acquisition date then the adjustment is accounted for as a charge or credit to profit or loss. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Costs related to acquisitions, other than those associated with the issue of debt or equity securities, are expensed as incurred.

1.12 Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the consolidated financial statements from the date that control is established to the date control ceases.

Control is achieved where the acquiring Company has the power to govern the financial and operating policies of an investee entity therefore obtaining benefits from its activities. Intercompany transactions and outstanding balances are eliminated on consolidation.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

1.13 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 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)
ERP systems	6 years

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.

1.14 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	5 years
Leasehold improvements	15 years (or over the lease term if shorter)
Vehicles and Computer Equipment	3 – 5 years (or over the contract term if shorter)

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

1.14 Property, plant and equipment (continued)

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.

In reviewing the value of property, plant and equipment, consideration for any impacts of climate related risks to fair values or the useful economic lives of assets is deemed not material.

1.15 Impairment of property, plant and equipment, right of use assets and intangible assets excluding goodwill

Other intangible assets, property, plant and equipment and right of use assets are reviewed for impairment whenever events arise 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, property, plant and equipment and right of use assets 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.

1.16 Inventories and Cost of Sales

Inventories are stated at the lower of cost and net realisable value. Cost corresponds to purchase cost determined by the first in first out (FIFO) method. Provision is made, where necessary, for slow-moving, obsolete and defective inventories.

1.17 Leases

IFRS 16 has introduced a single on-balance sheet accounting model for lessees. 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.

Cost of the right-of-use asset consists of the initial lease liability plus any lease payments made to the lessor before the commencement date (less any lease incentives received), plus the initial estimate of restoration costs and any initial direct costs incurred by the lessee.

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 a corresponding asset included in the related right-of-use asset. Dilapidation provisions are discounted to present value at the yearend and subsequent unwinding of the discounting is recorded in the income statement.

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.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

1.17 Leases (continued)

The Group adopts recognition exemptions for short-term (less than 12 months) on property and low value on a lease by lease basis. 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.

1.18 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 Group recognises a loss allowance for all expected credit losses on initial recognition using an allowance matrix to measure the expected credit losses of trade receivables from individual and corporate customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Given the similar characteristics of the product and service types, geographic region and type of customer relationship, all customers in each ageing bracket have had the same rate applied.

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.

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.

1.19 Dividends

Dividends payable to equity shareholders are included in the financial statements within 'other creditors' when a final dividend is approved by shareholders in a general meeting. Interim dividends to equity shareholders approved by the board during the financial year are not included in the financial statements until paid.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

1.20 Research and Development costs

Expenditure on research activities is recognised in the Income Statement as an expense as incurred. Expenditure on development activities is capitalised as "development costs" if the product or process is technically and commercially feasible, if the Group has the technical ability and sufficient resources to complete development, if future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes.

1.21 Allocation of costs

Cost of sales are those costs which are directly attributable to the business in order to generate revenue, which includes costs of hardware and software sold to customers, freight and delivery, reseller commissions and set-up costs.

Operating costs are all other expenses relating to the underlying business, which includes staff costs, legal and professional fees, office costs, marketing and advertising.

2 Critical accounting judgements, key sources of estimation uncertainty and other areas of estimation

In the application of the Group's accounting policies, which are described in note 1, the Board are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities, without clear direction from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

The Group have identified the following item as a critical accounting judgement which would have a significant impact to the amounts recognised in the financial statements for the year ended 31 March 2023.

2.1 Accounting for multiple arrangements as a single transaction

During the year, the Group's trading subsidiary Redcentric Solutions Limited acquired the consulting business and certain business and assets relating to three data centres ("DCs") from Sungard Availability Services (UK) Limited (in administration). The acquisition of the consulting business was legally completed on 7 June 2022 and the DCs on 6 July 2022. These are legally separate transactions with their own purchase agreements however, the Group have considered if they form a single transaction to achieve an overall commercial effect.

The transactions happened within a short time frame and were entered into in contemplation of each other. The commercial rationale for the consulting transaction was inherently linked to facilitating the subsequent DCs transaction and the acquisition of the consulting business was not economically justified on its own but is economically justified when considered together with the DCs transaction.

In review of the above, the Group have determined that these two arrangements should be accounted for as a single transaction. Please refer to note 32 for business combinations.

Estimates

2.2 Fair value of consideration transferred, including contingent consideration

The fair value measurement of the consideration transferred for business combinations in the year, which includes elements of contingent consideration, involves estimation uncertainty regarding the amount to be recognised in the financial statements due to the uncertain future events which management are required to assess at the acquisition date and at subsequent reporting dates in order to determine the fair value at those points. In assessing these future events, management consider the probability and likelihood of specific events and results occurring, which impact the fair value of the contingent consideration.

Management have considered the fair value assessment at the acquisition date and at the reporting date. The range of possible outcomes of contingent consideration when the payment crystallises on the 12-month anniversary of the acquisition are between £0.0m and £2.8m as at the year end. The amounts of consideration for the year ended 31 March 2023 are included in note 32, and contingent consideration at note 23.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

2.3 Fair values of acquired intangible assets and property, plant and equipment on business combinations

IFRS 3 'Business combinations' requires assets and liabilities acquired from business combinations to be measured initially at fair value and then subsequently revalued to fair value at each period end. In establishing the fair values of assets and liabilities acquired in business combinations, estimation is used in a number of areas. To assist in this work, the Group has engaged external valuation experts to assess the fair value. Management have then reviewed the work and assessed the results in forming their view on the fair value estimation included in the business combinations for the year ended 31 March 2023.

The fair values have been established in accordance with IFRS 13. Establishing the fair values of each asset type has been outlined below:

Customer relationship intangibles

The fair values of the customer relationship intangible involves estimation uncertainty at the acquisition date as they are sensitive to the forecast future cashflows generated from these assets and the discount rate in establishing the present value. The inputs into the forecast also include EBIT margin and customer attrition rates, which affect the future cashflows generated.

Sungard Data Centres:

If short-term customer revenue attrition rates were to increase by 10%, the estimated fair value would decrease by £0.2m.

If the discount rate used in arriving at the estimated fair value of customer relationship intangibles increased by 2%, this would result in a reduction in the acquisition date fair value of these assets of £0.6m.

If the EBIT margin applied to the derive the forecast future cashflows before discounting were to increase by 10%, this would result in an increase to the acquisition date fair value of these assets by £1.3m.

4D Data Centres:

If the customer revenue attrition rates were to increase by 3%, the estimated fair value would decrease by £0.7m.

If the discount rate used in arriving at the estimated fair value of customer relationship intangibles increased by 2%, this would result in a reduction in the acquisition date fair value of these assets of £0.5m.

If the EBIT margin applied to the derive the forecast future cashflows before discounting were to increase by 10%, this would result in an increase to the acquisition date fair value of these assets by £0.7m.

Property, plant and equipment

The Group engaged an external valuation expert to assess the fair value of certain items of property, plant and equipment acquired through business combinations, relating to the largest data centre of the Sungard transaction.

The fair values of the property, plant and equipment involves estimation uncertainty due to the useful economic life applied to each category of asset. If the useful economic life was increased by one year, the depreciation charge in the current year would decrease by £0.6m. There is also estimation uncertainty related to the replacement cost and utilisation levels of the assets under the depreciated replacement cost method.

The estimate of fair values of the identifiable assets acquired and the liabilities assumed as part of these transactions involved estimation uncertainty in finalising the purchase price allocation. As the amounts have now been finalised, the Directors do not consider this to be a major source of estimation uncertainty at the yearend, as it is not considered there will be a material reversal in future periods.

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.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

3 Financial risk management (continued)

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 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. The Group has entered into contracts with energy brokers and has agreed own-use commodity prices for a significant proportion of its expected electricity volumes, which significantly reduces its exposure to price volatility.

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.

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.

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.

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. The ratio was below this level throughout the year, and at 31 March 2023 was 1.8x (31 March 2022 – 0.0x).

The bank facilities referred to in note 24 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 headroom in its bank facilities to ensure that any unexpected situations do not create financial stress. Refer to note 1.1.

A final dividend payment of 2.4p per share is expected to be paid on 19 January 2024, subject to approval at the Company's AGM, to shareholders on the register at the close of business on 8 December 2023 with shares going ex-dividend on 7 December 2023. The last day for Dividend Reinvestment Plan elections is 27 December 2023.

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 15.

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 are immaterial (31 March 2022: immaterial).

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

6 Revenue

Revenue for the year ended 31 March 2023 was generated wholly from the UK and is analysed as follows:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Recurring revenue	**128,461**	82,965
Product revenue	**7,144**	6,187
Services revenue	**6,069**	4,176
Total revenue	**141,674**	93,328

Revenue is analysed into the following categories:

- Recurring revenue, which was higher at £128.5m (FY22: £83.0m).
- Non-recurring product revenue, which was higher at £7.1m (FY22: £6.2m).
- Non-recurring services revenue which was higher at £6.1m (FY22: £4.2m).

The year on year increases noted are in part attributable to the impact of acquisitions in the period. See note 32.

6.1 Contract Balances

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

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Receivables, included in trade and other receivables, net of provisions	**20,205**	10,228
Accrued income, included in trade and other receivables	**4,568**	2,626
Deferred income, included in trade and other payables	**(8,331)**	(7,530)

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

£6.7m of deferred revenue at 31 March 2022 was recognised as revenue in FY23.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

7 Operating profit

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

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Amortisation of acquired intangible assets	**8,183**	6,498
Amortisation of intangible assets: owned	**590**	475
Depreciation: owned assets	**4,636**	2,745
Depreciation and Amortisation of ROU assets: Leased	**10,617**	4,578
Share-based payments	**1,256**	1,181
Net foreign exchange losses	**11**	74
Expense in relation to short-term and low value leases not recognised under IFRS 16	**-**	27
Employee benefits expense, excluding share-based compensation	**33,223**	21,670
Exceptional items (note 9)	**8,149**	1,629
	66,665	38,877

Other operating income is broken down as follows:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Income from Transition Service Agreement	**88**	100
Other income	**-**	3
	88	103

8 Auditor's 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 2023 £000	Year ended 31 March 2022 £000
Audit of these financial statements	**45**	30
Audit of Subsidiaries (including overseas subsidiaries)	**364**	288
Additional audit fees in relation to business combinations audit work	**100**	-
Total audit	**509**	318
Tax compliance services	**-**	3
Tax advisory services	**-**	1
Services relating to taxation	**-**	4
Other non-audit services not covered above	**1**	-
Total non-audit services	**1**	4
Total fees	**510**	322

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

9 Exceptional items

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Included within operating expenditure:		
Employee restructuring	-	159
Release of Insurance adviser provision including professional fees	-	(483)
Lease modification	-	(119)
Business sale process	-	70
Acquisition related professional and legal fees	**695**	971
Integration costs	**5,965**	-
Historic share warrant exercise	-	310
Costs relating to the settlement of an historical supplier dispute	**809**	119
Impairment of intangible assets	-	205
Cloud computing costs	**680**	397
	8,149	1,629

Acquisition and integration costs were incurred in relation to the purchase of certain business and assets relating to three data centres from Sungard Availability Services (UK) Limited ("Sungard)", the consulting business from Sungard and 100% of the issued share capital of 4D Data Centres Limited during the year (note 32). The acquisition fees relate to legal and advisor fees and due diligence costs. The integration costs are those incurred in integrating the three businesses into the Group and include costs relating to the TSA (Transition Service Agreement) (£1.4m), migrating customers (£1.2m) and employee restructuring (£3.3m). There was also £0.1m of audit fees relating to the work completed on the acquisitions. Cash costs were £6.7m.

Costs relating to the settlement of an historical supplier dispute were for crystallisation of the settlement amount of £0.6m and amounts charged by the Group's legal advisors in this matter. Cash costs were £0.8m.

Cloud computing costs relate to expenditure to achieve the original implementation scope of the Group's major ERP implementation programme, and the continued remediation of the Group's ERP system (Microsoft Dynamics 365) to resolve a number of implementation related process & system deficiencies that required correcting post initial implementation. FY23 is the final year that these costs will be incurred as exceptional. Future costs associated with the D365 system are developmental and will improve or enhance capability from the original scope of the project now that the original implementation scope has been substantially achieved. This was a cash cost in both years.

10 Finance costs

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Finance costs		
Interest payable on bank loans and overdrafts	**(1,827)**	(81)
Interest payable on leases	**(1,218)**	(990)
Amortisation of loan arrangement fees	**(291)**	-
Other interest payable	**(194)**	-
	(3,530)	(1,071)

Interest payable on leases includes £1.2m (FY22: £0.8m) of interest on leases previously classified as operating leases under IAS17.

Other interest payable relates to interest on contingent consideration and dilapidation provisions.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (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 2023 Number	Year ended 31 March 2022 Number
Operations	**429**	346
Selling and distribution	**83**	79
Administration	**76**	61
	588	486

Employee costs were:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Wages and salaries	**27,978**	18,682
Social security costs	**3,251**	1,969
Share options granted to Directors and employees	**1,257**	1,181
Pension costs	**1,263**	848
Payments in lieu of notice and redundancy not included within exceptional items	**277**	12
Payments in lieu of notice and redundancy included within exceptional items	**453**	159
	34,479	22,851

The payments in lieu of notice and redundancy included within exceptional items are within the integration related costs.

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 along with exec and non-exec directors.

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Basic salary, allowances, fees and other employment expenses	**1,667**	1,878
Bonus and other benefits	**123**	306
Share based payments	**601**	593
Pension costs	**91**	63
	2,482	2,840

Notes to the consolidated financial statements

for the year ended 31 March 2023 (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 feesl £000	Bonus £000	Pension £000	Share-based payments £000	**FY23 Total £000**	FY22 Total £000
Executive						
Peter Brotherton[1]	368	54	16	393[1]	**831**	863
David Senior[2]	200	24	11	104[2]	**339**	293
Non-executive						
Ian Johnson (resigned 17 November 2021)	-	-	-	-	**-**	54
Stephen Vaughan (resigned 28 April 2021)	-	-	-	-	**-**	11
Alan Aubrey (appointed 21 July 2022)	38	-	-	-	**38**	-
Jon Kempster (resigned 21 July 2022)	25	-	-	-	**25**	49
Nick Bate	85	-	-	-	**85**	31
Helena Feltham	50	-	-	-	**50**	37

[1] On 14 September 2022, Peter Brotherton exercised options over 379,267 ordinary shares of 0.1p each at a price of 103.5 pence per Ordinary Share resulting in a pre-tax gain of £392,541.

[2] On 14 September 2022, David Senior exercised options over 100,000 ordinary shares of 0.1p each at a price of 103.5 pence per Ordinary Share resulting in a pre-tax gain of £103,500.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

11 Employees (continued)

11.3 Director's remuneration

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

		Exercise price (p)	Balance, 31 March 2022	Granted	Exercised	Balance, 31 March 2023
Peter Brotherton						
	(a)	0.1	379,267	-	(379,267)	-
	(b)	0.1	242,915	-	-	242,915
	(c)	0.1	554,326	-	-	554,326
	(d)	99.9	18,023	-	-	18,023
	(e)	0.1	-	621,250	-	621,250
			1,194,531	**621,250**	**(379,267)**	**1,436,514**
David Senior						
	(a)	0.1	100,000	-	(100,000)	-
	(b)	0.1	129,555	-	-	129,555
	(c)	0.1	312,296	-	-	312,296
	(e)	0.1	-	333,334	-	333,334
	(f)	96.1		18,736		18,736
			541,851	**352,070**	**(100,000)**	**793,921**

(a) The options were granted on 28 June 2019 under the Company's LTIP. The options vested post the release of the Group's results for the year ended 31 March 2022 following the achievement of performance conditions related to the growth in share price and were exercised by the CEO and CFO on 14 September 2022.

(b) The options were granted on 8 December 2020 under the Company's LTIP. The options will vest post the release of the Group's results for the year ended 31 March 2023 subject to the achievement of performance conditions related to the growth in share price.

(c) The options were granted on 18 November 2021 under the Company's LTIP. The options will vest three years from grant subject to absolute Total Shareholder Return (TSR) Targets. For awards up to 100% of salary, 25% will vest for TSR of 5% p.a. increasing pro-rata to 100% vesting for TSR of 10% p.a. For awards between 100% and 200% of salary, 0% will vest for TSR of 10% p.a. increasing pro-rata to 100% vesting for TSR of 15% p.a.

(d) The options were granted on 23 December 2021 under the SAYE option plan under which employees contribute a monthly amount which is saved over three years to buy shares. The options are exercisable from 1 February 2025. There are no performance conditions.

(e) The options were granted on 12 October 2022 under the Company's LTIP. The options will vest three years from grant subject to absolute Total Shareholder Return (TSR) Targets. For awards up to 100% of salary, 25% will vest for TSR of 5% p.a. increasing pro-rata to 100% vesting for TSR of 10% p.a. For awards between 100% and 200% of salary, 0% will vest for TSR of 10% p.a. increasing pro-rata to 100% vesting for TSR of 15% p.a.

(f) The options were granted on 26th August 2022 under the SAYE option plan under which employees contribute a monthly amount which is saved over 3 years to buy shares. The options are exercisable from 01 October 2025. There are no performance conditions.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

12 Income tax expense

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Income tax		
UK current year tax charge	**108**	1,739
Overseas current year tax charge	-	32
Adjustment in respect of prior years	**(7)**	(1,371)
Total income tax	**101**	400
Deferred tax		
Current year	**(2,437)**	(1,214)
Adjustment in respect of prior years	**(31)**	196
Effect of changes in tax rates	**(852)**	(786)
Total deferred tax	**(3,320)**	(1,804)
Total tax credit in consolidated statement of comprehensive income	**(3,219)**	(1,404)
Other Comprehensive Income items		
Deferred Tax	**47**	58

Factors affecting the tax charge for the year		
(Loss)/profit before taxation	**(12,469)**	5,536
Taxation at the average UK corporation tax rate of 19.0% (FY22: 19.0%)	**(2,369)**	1,052
Tax effects of:		
-Expenses not allowable in determining taxable profit	**430**	308
-Adjustment in respect of prior years	**(38)**	(1,175)
-Non-taxable income	**(239)**	(381)
-Share options	**(172)**	(32)
-Fixed assets transferred in	-	(58)
-Reversal of uncertain tax position	-	(323)
-Prior year adjustment on provision	-	(21)
-Tax rate changes	**(503)**	(786)
-Super deduction adjustment	**(292)**	-
-Other tax effects	**(90)**	-
-Effect of overseas tax rates	**54**	12
Tax credit for the year	**(3,219)**	(1,404)

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The deferred tax asset at 31 March 2023 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary/timing differences (2022: 17%).

Notes to the consolidated financial statements

for the year ended 31 March 2023 (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 2023 £000	Year ended 31 March 2022 £000
Earnings		
Statutory (loss)/earnings	**(9,250)**	6,940
Tax credit	**(3,219)**	(1,404)
Amortisation of acquired intangibles	**8,183**	6,498
Share-based payments	**1,256**	1,181
Exceptional items	**8,149**	1,629
Adjusted earnings before tax	**5,119**	14,844
Notional tax charge	**(973)**	(2,820)
Adjusted earnings	**4,146**	12,024
Weighted average number of ordinary shares	**Number '000**	Number '000
In issue	**156,992**	156,992
Held in treasury	**(1,391)**	(420)
For basic EPS calculations	**155,601**	156,572
Effect of potentially dilutive share options	**3,678**	2,803
For diluted EPS calculations	**159,279**	159,375
EPS	**Pence**	Pence
Basic	**(5.94p)**	4.43p
Adjusted	**2.66p**	7.68p
Basic diluted	**(5.94p)**	4.36p
Adjusted diluted	**2.60p**	7.54p

In line with the Group's policy, the notional tax charge above is calculated at a standard rate of 19% (FY22: 19%).

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

14 Dividends

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Final dividend for the year ended 31 March 2021	**-**	3,749
Interim dividend for the year ended 31 March 2022	**-**	1,878
Final dividend for the year ended 31 March 2022	**3,719**	-
Interim dividend for the year ended 31 March 2023	**1,874**	-
	5,593	**5,627**

The Group paid an interim dividend for the year ended 31 March 2022 of 1.2p per ordinary share, with a total payment value of £1.9m.

The Group paid a final dividend in respect of the year to 31 March 2022 of 2.4p per ordinary share, with a total payment value of £3.7m

The Group paid an interim dividend for the year ended 31 March 2023 of 1.2p per ordinary share, with a total payment value of £1.9m.

A final dividend payment of 2.4p per share is expected to be paid on 19 January 2024, subject to approval at the Company's AGM, to shareholders on the register at the close of business on 8 December 2023 with shares going ex-dividend on 7 December 2023. The last day for Dividend Reinvestment Plan elections is 27 December 2023.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

15 Intangible Assets

	Goodwill £000	Customer contracts and related relationships £000	Trademarks and brands £000	Software and licences £000	Total £000
Cost					
At 1 April 2021	42,084	62,284	275	6,585	111,228
Additions	-	-	-	502	502
Additions on acquisition (note 32)	10,332	2,746	174	31	13,283
Disposals	-	-	-	(1,548)	(1,548)
Exchange difference	-	-	-	-	-
At 31 March 2022	52,416	65,030	449	5,570	123,465
Additions	-	-	-	869	869
Additions on acquisition (note 32)	8,224	15,100	200	-	23,524
Disposals	-	-	-	(135)	(135)
Exchange difference	-	-	-	(1)	(1)
At 31 March 2023	**60,640**	**80,130**	**649**	**6,303**	**147,722**
Accumulated amortisation and impairment					
At 1 April 2021	-	44,569	275	5,104	49,948
Charged in year	-	6,324	174	475	6,973
Disposals	-	-	-	(1,182)	(1,182)
At 31 March 2022	-	50,893	449	4,397	55,739
Charged in year	-	7,983	200	590	8,773
Disposals	-	-	-	(7)	(7)
At 31 March 2023	**-**	**58,876**	**649**	**4,980**	**64,505**
Net book value					
At 31 March 2023	**60,640**	**21,254**	**-**	**1,323**	**83,217**
At 31 March 2022	52,416	14,137	-	1,173	67,726

Customer contracts have a weighted average remaining amortisation period of 6 years and 5 months (FY22: 4 years and 4 months).

Software and licences include £0.6m (FY22 - £0.1m) of additions in relation to customer capital expenditure.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

15 Intangible Assets (continued)

Goodwill is allocated to the Group's cash-generating units ("CGUs") that are expected to benefit from that combination based on relative carrying values of other acquired intangible assets. The carrying amount of Goodwill is allocated to those CGUs as follows:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
IT Managed Service	**58,801**	50,765
Security Services	**1,839**	1,651
	60,640	52,416

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. Other intangible assets are tested for impairment whenever events or a change in circumstances indicate carrying values may no longer be recoverable. Consideration for any impacts of climate related risks to impairment is not deemed to affect the overall conclusions in the medium to long term.

The value in use has been calculated using budgeted cash flow projections to the period of 31 March 2025, extrapolated for a further three years by an average annual revenue growth rate of 3.5% (FY22: 2.0%). A terminal value based on a perpetuity calculation using a 2.0% real growth rate was then added (FY22: 0.0% growth).

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

- Gross margin percentage increasing to 66% (FY22: 63%)
- Operating costs increasing by 3.0% (FY22: 1.5%), which is lower than inflation as some costs have been fixed to FY25
- Pre-tax discount rate of 11.2% (FY22: 11.8%) (post tax rate of 10.84% (FY22: 7.2%)) estimated using a weighted average cost of capital, adjusted to reflect current market assessments of the time value of money and the risks specific to the Group; and
- Terminal growth rate percentage is consistent with the market the entity operates in for real growth.

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 2023 (continued)

16 Property, plant and equipment

	Leasehold improvements £000	Office fixtures and fittings £000	Vehicles and computer equipment £000	Assets under construction £000	Total £000
Cost					
At 1 April 2021	7,803	1,363	21,659	-	30,825
Additions	527	107	1,630	-	2,264
Additions on acquisition (note 32)	11	27	-	-	38
Disposals	-	(331)	(25)	-	(356)
Exchange differences	-	16	-	-	16
At 31 March 2022	8,341	1,182	23,264	-	32,787
Additions	700	1,787	2,838	180	5,505
Additions on acquisition (note 32)	3,330	6,725	1,665	-	11,720
Disposals	-	-	(909)	-	(909)
Exchange differences	-	4	4	-	8
At 31 March 2023	**12,371**	**9,698**	**26,862**	**180**	**49,111**
Accumulated depreciation					
At 1 April 2021	4,916	793	19,282	-	24,991
Charged in year	533	141	2,071	-	2,745
On disposals	-	(316)	(9)	-	(325)
Exchange differences	-	4	-	-	4
At 31 March 2022	5,449	622	21,344	-	27,415
Charged in year	1,107	1,450	2,079	-	4,636
On disposals	-	-	(71)	-	(71)
Exchange differences	-	-	-	-	-
At 31 March 2023	**6,556**	**2,072**	**23,352**	**-**	**31,980**
Net book value					
At 31 March 2023	**5,815**	**7,626**	**3,510**	**180**	**17,131**
At 31 March 2022	2,892	560	1,920	-	5,372

Vehicles and computer equipment includes additions of £2.6m (FY22: £1.0m) relating to customer capital expenditure.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

17 Right of use assets

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

	Land and buildings £000	Vehicles & computer equipment £000	Total £000
Cost			
At 1 April 2021	25,506	11,707	37,213
Additions	2,947	460	3,407
Remeasurement	(1,479)	(231)	(1,710)
At 31 March 2022	26,974	11,936	38,910
Additions	36,189	391	36,580
Additions on acquisition (note 32)	3,911	-	3,911
Disposals	(629)	-	(629)
Exchange differences	(1)	-	(1)
At 31 March 2023	**66,444**	**12,327**	**78,771**
Accumulated depreciation			
At 1 April 2021	12,261	6,165	18,426
Charged in year	2,252	2,326	4,578
Disposals	(893)	(239)	(1,132)
At 31 March 2022	13,620	8,252	21,872
Charged in year	8,676	1,941	10,617
Disposals	-	-	-
At 31 March 2023	**22,296**	**10,193**	**32,489**
Net book value			
At 31 March 2023	**44,148**	**2,134**	**46,282**
At 31 March 2022	13,354	3,684	17,038

Of the £40.5m right of use assets acquired in the year, £nil was funded using leases that would have previously been classified as finance leases under IAS17 (FY22: £0.4m).

Included in the net book value of land and buildings at 31 March 2023 is £9.8m right of use assets for dilapidations.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

18 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 2023 £000	Year ended 31 March 2022 £000
Deferred tax liabilities	**(3,330)**	(3,114)
Deferred tax assets	**4,406**	7,113
	1,076	3,999

18.1 Deferred tax liabilities

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Opening balance	**3,114**	3,362
Recognised in the income statement	**(1,409)**	(895)
Movements arising on acquisitions (note 32)	**1,625**	686
Adjustment in relation to prior year	**-**	(39)
	3,330	3,114

Deferred tax liabilities relate to intangible assets from business acquisitions.

18.2 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 2021	47	397	623	3,252	446	4,765
Deferred tax acquired	-	-	1,331	52	20	1,403
Recognised in income statement	-	92	461	264	288	1,105
Recognised in other comprehensive income	-	58	-	-	-	58
Adjustment in relation to prior year	-	(26)	(435)	(299)	542	(218)
At 31 March 2022	47	521	1,980	3,269	1,296	7,113
Deferred tax acquired (note 32)	-	-	-	(4,560)	-	(4,560)
Recognised in income statement	-	120	1,742	-	(19)	1,843
Recognised in other comprehensive income	-	47	-	-	-	47
Adjustment in relation to prior year	-	-	-	-	(37)	(37)
At 31 March 2023	**47**	**688**	**3,722**	**(1,291)**	**1,240**	**4,406**

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

19 Inventories

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Goods for resale	**3,716**	1,393

Goods for resale includes components required to deliver managed services to customers. The cost of inventories charged to cost of sales in the year totalled £6.0m (FY22: £4.7m).

20 Trade and other receivables

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Trade receivables	**21,456**	11,112
Less: provision for impairment of trade receivables and credit notes	**(1,251)**	(884)
Trade receivables – net	**20,205**	10,228
Other receivables	**2,363**	737
Prepayments	**9,180**	6,434
Commission contract asset	**2,938**	2,098
Accrued income	**4,568**	2,626
	39,254	22,123

The commission contract asset arose on the adoption of IFRS 15. For the year ended 31 March 2023 the impairment for this contract asset was immaterial (FY22: immaterial). Other receivables in FY23 relate to amounts due from the administrators for the acquisition of Sungard (note 32).

There is £immaterial (FY22: £immaterial) expected credit loss against other receivables, see note 21.1.

21 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 2023 £000	Year ended 31 March 2022 £000
Trade receivables	**20,205**	10,228
Other receivables	**2,363**	737
Cash and cash equivalents	**1,366**	1,804
	23,934	12,769

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

21 Credit quality of financial assets (continued)

21.1 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, with the exposure to credit risk and the expected credit loss in the current year:

	Year ended 31 March 2023 £000	Weighted average loss rate	Loss Allowance	Credit impaired	Year ended 31 March 2022 £000
Current	**18,450**	**0.5%**	**(92)**	**No**	8,736
1 to 30 days overdue	**2,212**	**1.0%**	**(22)**	**No**	1,997
31 to 60 days overdue	**557**	**2.0%**	**(11)**	**No**	452
61 to 90 days overdue	**283**	**5.0%**	**(14)**	**No**	80
91 to 180 days overdue	**194**	**10.0%**	**(19)**	**No**	19
> 180 days overdue	**(240)**	**10.0%**	**24**	**No**	(172)
Gross trade debtors	**21,456**	**N/A**	**(134)**		11,112
Provision	**(1,251)**				(884)
Net trade debtors	**20,205**				10,228

As at 31 March 2023, trade receivables of £117k were provided for (31 March 2022: £85k). £325k has been provided for within the credit note provisions (31 March 2022: £799k). £809k has been provided for inaccurate billing (31 March 2022: £614k). No provision has been made against accrued income in the year ended 31 March 2023 (31 March 2022: £nil).

Trade debtor days were 46 at 31 March 2023 compared to 36 at 31 March 2022. Trade debtor days are calculated as gross trade debtors divided by revenue (incl. VAT) multiplied by 365.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

21 Credit quality of financial assets (continued)

21.1 Credit quality of trade receivables (continued)

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 note provisions were as follows:

	Provision in relation to FY18 and earlier £000	Provision in relation to FY19 £000	Provision in relation to FY20 £000	Provision in relation to FY21 £000	Provision in relation to FY22 £000	Provision in relation to FY23 £000	Total Provision £000
At 1 April 2021	3	141	326	634	-	-	1,104
Creation of provision	-	-	-	-	832	-	832
Utilisation of provision	-	(116)	(292)	(344)	(300)	-	(1,052)
At 31 March 2022	**3**	**25**	**34**	**290**	**532**	**-**	**884**
Creation of provision	-	-	-	-	1	2,122	2,123
Utilisation of provision	(3)	(25)	(34)	(290)	(528)	(876)	(1,756)
At 31 March 2023	**-**	**-**	**-**	**-**	**5**	**1,246**	**1,251**

21.2 Credit quality of cash and cash equivalents

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

22 Trade and other payables

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Trade payables	**16,520**	8,910
Other payables	**1,892**	1,130
Taxation and social security	**5,076**	2,433
Accruals	**11,759**	4,050
Deferred income	**8,331**	7,530
	43,578	24,053

Trade payable days were 42 at 31 March 2023 compared to 37 as at 31 March 2022. Trade payable days are calculated as trade payables divided by total purchases (cost of sales and operating expenditure) multiplied by 365.

Of the deferred income balance of £7.5m at 31 March 2022, £6.7m has been recognised as revenue in the year ended 31 March 2023.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

23 Contingent consideration

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Contingent consideration due on acquisitions within one year:		
- 7 Elements Limited	**450**	422
- Sungard DCs	**2,540**	-
	2,990	422

Contingent consideration is based on the directors' best estimate of future payments due at 31 March 2023 as detailed in note 32. This has been settled subsequent to the yearend as outlined in note 34. Contingent consideration is level 3 within the fair value hierarchy.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

24 Borrowings

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Current		
Lease liabilities	**10,804**	4,086
Term loans	**475**	508
Bank loans	**-**	-
	11,279	4,594
Non-current		
Lease liabilities	**29,400**	13,359
Term loans	**20**	496
Bank loans	**33,631**	-
	63,051	13,855

At 31 March 2023, the Group was party to £87m of bank facilities with a maturity date of 25 April 2025. The facilities comprise a Revolving Credit Facility ("RCF") of £80m (net £34m utilised at 31 March 2023) and a £7.0m Asset Financing Facility ("AFF") (£2.3m utilised at 31 March 2023).

Term loans constitute financing arrangements for services and include a supplier loan of £495k for an unsecured 3 year maintenance contract. The AFF is provided by Lombard.

The RCF is provided by a new four bank group of NatWest, Barclays, Bank of Ireland and Silicon Valley Bank (now part of HSBC UK Group), with Lombard Technology Services Ltd providing the Asset Financing Facility. The borrowing cost of the facility is determined by the level of the Group's leverage and has a borrowing cost of 175 basis points over SONIA at the Group's current leverage levels. An arrangement fee of 75 basis points was payable upfront, in addition to a commitment fee on the undrawn portion. The Group is required to comply with financial covenants for adjusted leverage (net debt to adjusted EBITDA), cashflow cover (adjusted cashflow to debt service, where adjusted cashflow is defined as adjusted EBITDA less tax paid, dividend payments, IFRS16 lease repayments and cash capital expenditure) and provisions relating to guarantor coverage such that guarantors must exceed a prescribed threshold of the Group's gross assets, revenue and Adjusted EBITDA. Covenants are tested quarterly each year. No security has been provided.

The RCF is drawn in short to medium-term tranches of debt that are repayable within 12 months of draw-down. These tranches of debt can be rolled over provided certain conditions are met, including compliance with all loan terms. The Group considers that it is unlikely it would not be in compliance and therefore, be unable to exercise its right to roll over the debt. The Board therefore believe the Group has the ability and the intent to roll over the drawn RCF amounts when due and consequently has presented the RCF as a non-current liability. In addition to the financial covenants, the facility requires the Group to file audited financial accounts within 120 days of the yearend date alongside an audited compliance certificate, which the bank has extended for the current year.

As noted in the basis of preparation, in March 2023, the Directors agreed with the bank amendments to the cash flow cover financial covenant to allow for several non-repeating acquisition related costs and to reset the covenant level to less stringent levels for the quarters ended March and June 2023 and quarters ending September and December 2023. There were no other material changes to the terms and conditions of the borrowings because of this amendment.

Lease liabilities are comprised of secured and unsecured agreements. Secured lease liabilities of £1.8m and secured term loans are secured against assets included within ROU assets with a carrying value of £1.8m (FY22: £3.7m).

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

24 Borrowings (continued)

24.1 Reconciliation of net debt

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Revolving credit facility		
Drawdown on facility	**55,500**	4,500
Repayment of facility	**(21,500)**	(4,500)
Finance costs in relation to RCF (non-cash)	**1,803**	86
Interest paid	**(1,751)**	(86)
Loan arrangement fees paid (cash)	**(713)**	-
Release of deferred arrangement fees (non-cash)	**291**	-
Movement in revolving credit facility	**33,630**	-
Opening balance	**-**	-
Closing Balance	**33,630**	-
Lease liabilities		
New leases entered into (non-cash)	**28,314**	2,675
Leases acquired	**1,976**	-
IFRS16 leases modifications (non-cash)	**(629)**	-
Leases terminated (non-cash)	**-**	(813)
Principal element of lease payments	**(6,901)**	(3,745)
Interest element of lease payments	**1,218**	797
Interest cost (cash)	**(1,218)**	(797)
Movement in lease liabilities	**22,760**	(1,883)
Opening balance	**17,445**	19,328
Closing balance	**40,205**	17,445
Term loans		
New loans (non-cash)	**-**	-
Repayment of loans	**(508)**	(487)
Finance costs in relation to term loans (non-cash)	**24**	45
Interest paid	**(24)**	(45)
Movement in term loans	**(508)**	(487)
Opening balance	**1,004**	1,491
Closing balance	**496**	1,004
Cash	**1,366**	1,804
Net debt	**(72,965)**	(16,645)

All lines included above are cash unless otherwise stated.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

24 Borrowings (continued)

24.2 Terms and repayment schedule

	Currency	Nominal interest rate	Year of maturity
RCF	GBP	SONIA + 1.75%	2025
Term Loans	GBP	1.6% - 2.0%	2023-2025
Leases	GBP	0.0% - 7.2%	2023-2035

24.3 Lease liabilities

	Present value as at 31 March 2023 £000	**Finance charges £000**	**Future lease payments as at 31 March 2023 £000**	Present value as at 31 March 2022 £000	Finance charges £000	Future lease payments as at 31 March 2022 £000
Not later than 1 year	**10,804**	**1,420**	**12,224**	4,086	868	4,954
After 1 year but not more than 5 years	**20,565**	**2,973**	**23,538**	7,593	1,638	9,231
After more than 5 years	**8,833**	**553**	**9,386**	5,766	795	6,561
	40,202	**4,946**	**45,148**	17,445	3,301	20,746

25 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 2023				
Bank loans	**2,755**	**35,700**	**-**	**38,455**
Leases	**12,224**	**23,538**	**9,386**	**45,148**
Term loans	**475**	**20**	**-**	**495**
Trade payables	**16,520**	**-**	**-**	**16,520**
Other payables	**1,892**	**-**	**-**	**1,892**
	33,866	**59,258**	**9,386**	**102,510**
At 31 March 2022				
Leases	4,086	7,593	5,766	17,445
Term loans	508	496	-	1,004
Trade payables	8,910	-	-	8,910
Other payables	1,132	-	-	1,132
	14,636	8,089	5,766	28,491

The interest accrual for the future forecasted borrowings in each category is dependent on the expected level of funding required each month, with an applied interest rate of SONIA (forecast to be 5.5%) above the margin (which is a fixed percentage depending on the Group's adjusted leverage in line with the facility agreement).

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

26 Provisions

	Scheme fees provision £000	Dilapidations provision £000	Onerous service contract provision £000	Total provision £000
At 1 April 2021	553	2,695	21	3,269
Additional provisions created during the period	-	1,189	-	1,189
Provisions acquired from business combination	-	-	577	577
Released during the period	(527)	-	-	(527)
Utilised during the period	(26)	(1)	(598)	(625)
At 31 March 2022	-	3,883	-	3,883
Additional provisions created during the period	**-**	**8,426**	**-**	**8,426**
Provisions acquired from business combination	**-**	**692**	**-**	**692**
Released during the period	**-**	**-**	**-**	**-**
Utilised during the period	**-**	**-**	**-**	**-**
At 31 March 2023	**-**	**13,001**	**-**	**13,001**
FY23 Analysed as:				
Current	**-**	**1,841**	**-**	**1,841**
Non-current	**-**	**11,160**	**-**	**11,160**
	-	**13,001**	**-**	**13,001**
FY22 Analysed as:				
Current	-	-	-	-
Non-current	-	3,883	-	3,883
	-	3,883	-	3,883

The Scheme fees provision represented costs which were potentially repayable on adviser fees in relation to the historical FCA Investigation. This provision was released in FY22 as repayment is no longer considered probable.

The dilapidations provision represents the estimated costs associated with returning certain leasehold properties to the original condition upon exiting the lease. Given there is estimation in determining the quantum of provisions to be recognised a third-party expert was engaged to determine appropriate estimates. This is not considered to be a critical estimate as it is not expected to be subject to material reversal in future periods given the specialist input used to inform the estimate, and the nature of the estimate. After initial measurement, any subsequent adjustments to the dilapidations provision will be recorded against the original amount included in right of use assets with a corresponding adjustment to future depreciation charges. The utilisation of the dilapidations provision will be in line with the end of the leasehold properties lease terms to which the provisions relate. The increase of £8.4m through additional provisions created have resulted from new leases being agreed on acquired leasehold properties in the year.

The onerous service contract provision related to the costs associated with third party services arrangements no longer utilised by the business and service contracts with customers where the Group estimates the cost to fulfil the contract will exceed the benefit.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

27 Share capital

	Ordinary shares of 0.1p each		Share premium
	Number	£000	£000
At 1 April 2021	156,165,710	156	73,267
New shares issues	826,272	1	-
At 31 March 2022	156,991,982	157	73,267
New shares issued	-	-	-
At 31 March 2023	**156,991,982**	**157**	**73,267**

The total shares held in treasury at 31 March 2023 was 728,722 at an average cost of £1.23 per share therefore, a value of £897,479 (31 March 2022: 2,170,203 shares at an average cost of £1.23p, for a total value of £2,672,777).

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.

The common control reserve represents the difference between the net assets acquired and the fair value of consideration transferred on the acquisition of Redcentric Holdings Limited via demerger from Redstone plc in 2013.

28 Share-based payments

At 31 March 2023, 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 option plan under which it 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 2023 £000	Year ended 31 March 2022 £000
Equity-settled share-based charge on LTIP scheme	**861**	858
Equity-settled share-based charge on SAYE plan	**182**	209
National Insurance arising on share options	**213**	114
	1,256	1,181

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

28 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.

	LTIP (number)	SAYE (number)	Total (number)	WAEP (pence)
Balance at 31 March 2021	2,847,546	894,222	3,741,768	22.1p
Issued in the period	1,965,877	876,638	2,842,515	9.6p
Forfeited in the period	(295,851)	-	(295,851)	0.1p
Cancelled in the period	-	(366,395)	(366,395)	103.7p
Exercised in the year	(836,272)	(5,219)	(841,491)	0.7p
Lapsed in the year	-	(4,515)	(4,515)	119.6p
Balance at 31 March 2022	3,681,300	1,394,731	5,076,031	26.1p
Issued in the period	2,116,726	562,199	2,678,925	20.2p
Forfeited in the period	(159,379)	-	(159,379)	0.1p
Cancelled in the period	(264,670)	(338,974)	(603,644)	59.1p
Exercised in the year	(1,080,567)	(360,914)	(1,441,481)	15.9p
Lapsed in the year	-	(48,832)	(48,832)	102.7p
Balance at 31 March 2023	**4,293,410**	**1,208,210**	**5,501,620**	**22.3p**

The weighted average remaining contractual life for the share options outstanding at 31 March 2023 is 7 years and 6 months (31 March 2022: 6 years and 9 months). The range of exercise prices for options outstanding at the end of the year was 0.1p to 119.6p. Share options outstanding at the end of the year with approximate remaining average life are as follows:

Exercise price	**Number, year ended 31 March 2023**	**Life at 31 March 2023**	Number, year ended 31 March 2022	Life at 31 March 2022
0.10	**4,293,410**	**8 years 11 months**	3,681,300	8 years 5 months
63.00	-	-	369,393	1 year 0 months
119.60	**143,577**	**1 year 0 months**	241,311	2 year 0 months
108.33	**93,238**	**2 year 0 months**	168,998	3 years 0 months
99.87	**496,873**	**2 years 4 months**	615,029	3 years 4 months
96.07	**474,522**	**2 years 11 months**	-	-
	5,501,620	**7 years 6 months**	5,076,031	6 years, 9 months

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

28 Share-based payments (continued)

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

	31 March 2023 Number of options	**31 March 2023 WAEP**	31 March 2022 Number of options	31 March 2022 WAEP
Performance conditions satisfied	**25,000**	**0.1p**	-	0.0p
Subject to performance conditions	**4,268,410**	**0.1p**	3,681,300	0.1p
Save-As-You-Earn	**1,208,210**	**101.4p**	1,394,731	94.6p
Outstanding at the end of the year	**5,501,620**	**22.3p**	5,076,031	26.1p

29 Capital commitments

The Group had no contracted but not provided for capital commitments at 31 March 2023 (31 March 2022: £nil) included within trade and other payables.

30 Pensions

The Group operates a defined contribution pension scheme for eligible employees. The charge for the year ended 31 March 2023 was £1.2m (FY22: £0.8m). At the year- end there was a pension creditor of £0.3m (31 March 2022: £0.2m).

31 Subsidiaries

The undertakings whose results and financial position are consolidated within the Group financial statements at 31 March 2023 are as follows:

	Principal activity	Country of incorporation	% of ordinary share capital owned
Held directly by Redcentric plc			
Redcentric Solutions Limited	Managed Services	England and Wales	100%
Held indirectly			
Redcentric Solutions Private Limited	Support services	India	100%
Redcentric Support Services Private Limited	Support services	India	100%
Piksel Industry Solutions Limited	Dormant	England and Wales	100%
7 Elements Limited	Security services	Scotland	100%
Hotchilli Internet Limited	Dormant	England and Wales	100%
4D Data Centres Limited (acquired on 27 June 2022)	Managed Services	England and Wales	100%

All companies have a registered office of Central House, Beckwith Knowle, Harrogate HG3 1UG, except Redcentric Solutions Private Limited and Redcentric Support Services Private Limited which have a registered office at 8th Floor, My Home Twitza, Plot No. 30/A Sy No. 83/1, TSIIC Knowledge City, Raidurg, Hyderabad Rangareddy Telangana 500081 INDIA, and 7 Elements Limited which has a registered office of 4-5 Lochside Way, Edinburgh Park, Edinburgh, Scotland, EH12 9DT.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

32 Acquisition of subsidiary

Current year acquisitions

4D Data Centres

On 27 June 2022, the Group's trading subsidiary Redcentric Solutions Limited acquired 100% of the share capital of 4D Data Centres Limited ("4D") for £10.1m consideration paid in cash. The business provides colocation, cloud and connectivity services to mid-market customers. The primary purpose of the business combination is to scale the Group's existing revenues in this area with significant synergies expected as the acquisition is integrated into the Group. Management consider signing of the share purchase agreement (SPA) on the 27 June 2022 as the change of control and therefore, acquisition date for the transaction.

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	£000s
Cash	9,842
Deferred consideration [1]	162
True up payment (deferred) [2]	119
	10,123

[1] The deferred consideration is a delayed R&D claim refund due from HMRC which is to be paid to the Shareholders on receipt.

[2] The true up payment is the additional amount due following the update to fair values at the time of completion, when the original cash transfer was based on estimates.

The Group incurred acquisition related costs of £0.2m on legal fees, due diligence costs and direct integration costs. These costs have been included in exceptional costs in note 9.

The following table summarises the recognised amounts of assets and liabilities assumed as at the date of acquisition:

	Note	Fair value £000s
Tangible fixed assets	**16**	2,089
Customer relationships	**15**	6,300
Brand		200
Right of use assets	**17**	1,287
Trade and other receivables		920
Cash and cash equivalents		1,053
Deferred tax	**18**	(1,787)
Trade and other payables		(1,647)
Deferred income	**22**	(764)
IFRS 16 leases	**24**	(1,976)
Provisions		(692)
Corporation tax receivable		186
Total identifiable net assets acquired		**5,169**
Goodwill	**15**	**4,954**
Total consideration		**10,123**

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

32 Acquisition of subsidiary (continued)

The goodwill arising on acquisition represents the future income from new customers, the potential to cross-sell existing Group products to the existing 4D customer base, as well as the assembled workforce which increases the Group's competence in key growth areas of the Security Services sector.

The fair value of the acquired customer relationships is £6.3m. To estimate fair value of the customer relationships intangible asset, a multi-period excess earnings "MEEM" approach has been adopted, and this approach considers the present value of cash flows expected to be generated by the customer relationships, excluding any cash flows related to contributory assets.

On 28 February 2023, the trade, assets and liabilities of 4D were hived in to the Group's trading subsidiary Redcentric Solutions Limited. For the 8 months ended 28 February 2023, 4D contributed revenue of £5.3m and profits, before allocation of group overheads, share based payments and tax, of £1.1m to the Group's results.

Sungard

Consulting

On 7 June 2022, the Group's trading subsidiary Redcentric Solutions Limited acquired the consulting business from Sungard Availability Services (UK) Limited (in administration) for £4.2m consideration paid in cash. The business provides services in respect of business continuity, cloud and infrastructure, cyber resilience, disaster recovery and hybrid cloud transformation services alongside the provision and operation of Cloud related services. Management consider signing of the Agreement for the sale of assets as the change of control and therefore, acquisition date for the transaction. No assets were acquired or liabilities assumed from the Consulting business transaction.

Data Centres

On 6 July 2022, the Group's trading subsidiary Redcentric Solutions Limited acquired certain business and assets relating to three data centres "DCs" from Sungard Availability Services (UK) Limited (in administration) for initial consideration of £10.1m paid in cash and a cash prepayment of £3.4m for a payment made to the administrators in advance for a license to occupy on the three DCs, and contingent consideration with a maximum potential value of £19.0m depending on customer retention and certain performance criteria.

As outlined in note 2.1, the DCs and Consulting acquisitions have been treated as a single transaction. The resulting change due to this treatment as a single transaction is that the goodwill from the acquisitions is considered in aggregate rather than separately.

The following table summarises the acquisition date fair value of each major class of consideration transferred for the combined transaction:

	£000s
Cash	14,320
Prepayment (paid in cash)	3,369
Contingent consideration[3]	2,540
	20,229

[3] The contingent consideration is an additional amount based on an agreed sliding scale threshold of customers committing to long term contracts with the business post-acquisition, determined by the recurring monthly revenue value by customer and by each of the three data centres. This amount is the Board's best estimate as at the acquisition date of the amount due as contingent consideration, discounted to present value.

The Group incurred acquisition related costs of £0.3m on legal fees, due diligence costs and direct integration costs. These costs have been included in exceptional costs in note 9.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

32 Acquisition of subsidiary (continued)

The following table summarises the recognised amounts of assets and liabilities assumed as at the date of acquisition:

	Note	Fair value £000s
Tangible fixed assets	**16**	9,630
Customer relationships	**15**	8,800
Right of use assets	**17**	2,624
Prepayments		745
Deferred tax	**18**	(4,362)
Accruals		(185)
Other creditors		(293)
Total identifiable net assets acquired		**16,959**
Goodwill	**15**	**3,270**
Total consideration		**20,229**

The goodwill arising on acquisition represents the future income from new customers, the potential to cross-sell existing Group products to the existing Sungard customer base, which increases the Group's competence in key growth areas of the Security Services sector.

The fair value of the acquired customer relationships is £8.8m. To estimate fair value of the customer relationships intangible asset, a multi-period excess earnings "MEEM" approach has been adopted, and this approach considers the present value of cash flows expected to be generated by the customer relationships, excluding any cash flows related to contributory assets.

The DCs earned revenue of £36.3m and profits, before allocation of group overheads, share based payments and tax, of £2.5m in the period since acquisition.

The consulting business earned revenue of £0.6m and profits, before allocation of group overheads, share based payments and tax, of £0.2m in the period since acquisition.

The net cash flow for the acquisitions were as follows:

	£000s
Cash paid for 4D	10,123
Cash paid for Sungard, including prepayment	17,689
Less: cash acquired	(1,053)
Less: Piksel deferred consideration	(153)
	26,606

The Piksel deferred consideration was paid in April 2023 and related to the acquisition in FY22.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

32 Acquisition of subsidiary (continued)

Unaudited pro-forma full year information

The following unaudited pro-forma summary presents the Group as if the business acquired during FY23 had been part of the Group since 1 April 2022. This includes the results of the acquired business, depreciation of the acquired assets and an amount of £8.2m relating to the amortisation of the acquired intangible assets recognised on acquisition. This information is presented purely for illustrative purposes and does not necessarily reflect the actual underlying results that would have occurred.

	Pro-forma year ended 31 March 2023 £000s
Revenue	156,574
Loss before tax	(9,954)

Prior year acquisitions

The following subsidiaries were acquired in the prior period.

Piksel Industry Solutions Limited

On 30 September 2021, the Group acquired 100% of the issued share capital of Piksel Industry Solutions Limited "Piksel" obtaining control at this date. The acquisition is in line with the Group's strategy to grow its operations, both organically and through acquisitions. Piksel is a provider of IT modernisation and digital transformation services focussing primarily on the public cloud. Taking control of Piksel significantly enhances Redcentric's service offerings in both cloud and security and provides a complementary customer base with excellent cross-sell opportunities.

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	£000s
Cash[6]	9,459
Novation of Intercompany loans[7]	3,069
Deferred consideration[8]	183
	12,711

[6] Of the total cash consideration, $750k (£549k) was held in Escrow for a period of 12 months after which time the balance was released to the vendor less any claims made by the Group to offset undisclosed liabilities

[7] An intercompany receivable balance between Piksel and the seller was novated to the acquiring group company (Redcentric Solutions Limited) as part of the acquisition.

[8] Deferred consideration is to offset against future costs incurred as part of the transitional services agreement between Piksel and the seller.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

32 Acquisition of subsidiary (continued)

The Group incurred acquisition-related costs of £0.9m on legal fees, due diligence costs and direct integration costs relating to systems migration etc. These costs were included in exceptional costs in FY22.

The following table summarises the recognised amounts of assets and liabilities assumed as the date of acquisition:

	Fair value £000s
Tangible fixed assets	38
Customer relationships	1,868
Other intangible assets	202
Trade and other receivables	2,418
Cash and cash equivalents	965
Intercompany loans	3,069
Corporation tax receivable	557
Deferred tax	936
Trade and other payables	(2,940)
Deferred income	(1,817)
Payroll and social security creditors	(345)
VAT liability	(344)
Onerous contract provisions	(577)
Total identifiable net assets acquired	**4,030**
Goodwill	**8,681**
Total consideration	**12,711**

The goodwill arising on acquisition represented future income from new customers, the potential to cross-sell existing Group products to the established Piksel customer base as well and the assembled workforce which increases the Group's competence in key growth areas of the managed IT services sector allowing the Group to provide additional services to its existing customer base, together with the benefits to the Group in merging the business with its existing infrastructure and the anticipated future operating synergies from the new combination.

The fair value of the acquired customer relationships was £1.9m. To estimate the fair value of the customer relationships intangible asset, a multi-period excess earnings method "MEEM" approach has been adopted, this approach considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

On 28 February 2022 the trade, assets and liabilities of Piksel were hived out to the Group's trading subsidiary Redcentric Solutions Limited. For the 5 months ended 28 February 2022, Piksel contributed revenue of £4.9m and profits, before allocation of group overheads, share based payments and tax, of £0.3m to the Group's results.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

32 Acquisition of subsidiary (continued)

7 Elements Limited

On 14 March 2022 the Group acquired 100% of the issued share capital on 7 Elements Limited "7 Elements" obtaining control at this date. 7 Elements is an industry leading provider of security testing, incident response management and bespoke security consultancy services. The acquisition significantly enhances the Group's service portfolio with additional capacity within the increasingly important security market. The following table summarises the acquisition date fair value of each major class of consideration transferred:

	£000s
Cash[9]	2,409
Contingent consideration[10]	422
	2,831

[9] Of the cash consideration of £2.4m above, £0.13m was paid during FY23.

[10] The final contingent consideration amount was £0.45m paid on 3 April 2023.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

32 Acquisition of subsidiary (continued)

The Group incurred acquisition-related costs of £0.1m on legal fees and due diligence costs. These costs were included in exceptional costs in FY22.

The following table summarises the recognised amounts of assets and liabilities assumed as the date of acquisition:

	Fair value £000s
Other intangible assets	3
Customer relationships	878
Trade and other receivables	168
Cash & cash equivalents	465
Trade and other payables	(11)
Payroll and social security creditors	(1)
Deferred Tax	(220)
VAT liability	(50)
Corporation tax liability	(52)
Total identifiable net assets acquired	**1,180**
Goodwill	**1,651**
Total consideration	**2,831**

The goodwill arising on acquisition represented future income from new customers, the potential to cross-sell existing group products to established 7 Elements customer base and the assembled workforce which increases the Group's competence in key growth areas of the managed IT services sector.

The fair value of the acquired customer relationships is £0.9m. To estimate the fair value of the customer relationships intangible asset, a multi-period excess earnings method "MEEM" approach has been adopted, this approach considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

7 Elements earned revenue of £0.1m and delivered profits, before allocation of group overheads, share-based payments and tax of £0.1m in the period since acquisition to 31 March 2022.

Notes to the consolidated financial statements

for the year ended 31 March 2023 (continued)

33 Related parties

Directors' emoluments are disclosed in the Annual Remuneration Report on page 70 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 2023.

34 Subsequent events

Subsequent to the year end, the consideration for the Sungard acquisition was finalised. The amount of contingent consideration at the yearend was based on the expectations at the time of the conversion of short-term customer contracts into contracts with a term of 12 months or more from the date of the acquisition, which was determined to be £2.75m (discounted at yearend to £2.54m). The final position has now been crystallised on the anniversary date of the acquisition in line with the purchase agreement, resulting in a payment of £0.4m made in July 2023. As a result, an exceptional credit of £2.14m will be recognised in the statement of comprehensive income in FY24 as a fair value adjustment to contingent consideration.

Redcentric plc
Company Balance Sheet as at 31 March 2023

	Note	**31 March 2023 £'000**	31 March 2022 £'000
Fixed Assets			
Investments	2	**105,096**	104,051
		105,096	104,051
Current Assets			
Debtors	3	**406**	406
Current liabilities			
Creditors – amounts falling due within one year	4	**(21,607)**	(16,242)
Provisions	5	**-**	-
Net current liabilities		**(21,201)**	(15,836)
Net assets		**83,895**	88,215
Capital and reserves			
Called up share capital		**157**	157
Share premium account		**73,267**	73,267
Share option reserve		**8,887**	7,843
Own shares held in treasury		**(898)**	(2,673)
Retained earnings:			
At the beginning of the year		**9,621**	629
Profit for the year		**-**	14,633
Other changes in retained earnings		**(7,139)**	(5,641)
		2,482	9,621
Total shareholders' funds		**83,895**	88,215

The notes on pages 134 to 138 are an integral part of these financial statements.

The financial statements of Redcentric Plc (Registration Number 08397584) on pages 132 to 133 were approved by the Board on 24 August 2023 and are signed on its behalf by:

David Senior
Chief Financial Officer

Company Statement of Changes in Equity

for the year ended 31 March 2023

	Called up Share Capital £000	Share Premium £000	Share option reserve £000	Own shares held in treasury £000	Retained Earnings £000	Total Equity £000
Balance at 1 April 2021	156	73,267	6,776	(32)	629	80,796
Profit for the period	-	-	-	-	14,633	14,633
Transactions with owners						
Dividend paid to shareholders	-	-	-	-	(5,627)	(5,627)
Issue of new shares	1	-	-	-	-	1
Share option exercises	-	-	-	25	(14)	11
Share buyback	-	-	-	(2,666)	-	(2,666)
Share-based payments	-	-	1,067	-	-	1,067
At 31 March 2022	**157**	**73,267**	**7,843**	**(2,673)**	**9,621**	**88,215**
Profit for the period	-	-	-	-	-	-
Transactions with owners						
Dividend paid to shareholders	-	-	-	-	(5,593)	(5,593)
Issue of new shares	-	-	-	-	-	-
Share option exercises	-	-	-	1,775	(1,546)	229
Share buyback	-	-	-	-	-	-
Share-based payments	-	-	1,044	-	-	1,044
At 31 March 2023	**157**	**73,267**	**8,887**	**(898)**	**2,482**	**83,895**

Notes to the Company Financial Statements

for the year ended 31 March 2023

1 Accounting policies

These separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council (FRC). Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. These policies have all been applied consistently throughout the year unless otherwise stated.

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, have been applied consistently to all periods presented in these financial statements.

1.1 Investments

Investments in subsidiaries are carried at cost less impairment which is based on the fair value at acquisition. Investments 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.

1.2 Income taxes

The taxation expense charged in the 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

Notes to the Company Financial Statements

for the year ended 31 March 2023 (continued)

1.2 Income taxes (continued)

in other years and it further excludes items that are never taxable or deductible. The 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.

1.3 Dividends

Dividends payable to equity shareholders are included in the financial statements within 'other creditors' when a final dividend is approved by shareholders in a general meeting. Interim dividends to equity shareholders approved by the board during the financial year are not included in the financial statements until paid.

Dividends receivable from the Company's investments are recorded in the Company income statement once the dividend has been declared and approved by the Board.

1.4 Provisions

Provisions are recognised when the Company 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.

1.5 Treasury shares

Redcentric Plc shares held by the Company are deducted from equity as "treasury shares" and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised in the Income Statement on the purchase, sale, issue or cancellation of equity shares.

1.6 Share based payments

The cost of equity-settled transactions with employees of the Group 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 in the subsidiary company 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

Notes to the Company Financial Statements

for the year ended 31 March 2023 (continued)

1.6 Share based payments (continued)

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 costs of equity-settled transactions with group employees are settled by Redcentric Solutions Limited on behalf of the parent Company and added to the cost of the investment in the parent Company.

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

1.7 Key judgements and sources of estimation uncertainty

There were no critical accounting judgements that would have a material effect on the amounts recognised in the Company's financial statements or key sources of estimation uncertainty at the balance sheet date that would have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year. Impairment reviews show significant headroom and there are no additional indicators to suggest that the Company's investments should be impaired.

1.8 Parent company profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Parent Company has not presented its own profit and loss account.

2 Investments held as fixed assets

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Investments in subsidiaries	**96,062**	96,062
Capital contribution related to share-based payments for subsidiaries	**9,034**	7,989
	105,096	104,051

All of the Company's investments are unlisted. Details of subsidiary undertakings are included in note 31 of the Group financial statements.

The Company's investments have been tested for impairment and, to confirm whether an impairment 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 2025, extrapolated for a further three years by an average annual revenue growth rate of 3.5% (FY22: 2.0%). A terminal value based on a perpetuity calculation using a 2.0% real growth rate was then added (FY22: 0.0% growth).

Notes to the Company Financial Statements

for the year ended 31 March 2023 (continued)

2 Investments held as fixed assets (continued)

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

- Gross margin percentage increasing to 66% (FY22: 63%)
- Operating costs increasing by 3.0% (FY22: 1.5%), which is lower than inflation as some costs have been fixed to FY25
- Pre-tax discount rate of 11.2% (FY22: 11.8%) (post tax rate of 10.84% (FY22: 7.2%)) estimated using a weighted average cost of capital, adjusted to reflect current market assessments of the time value of money and the risks specific to the Group; and
- Terminal growth rate percentage is consistent with the market the entity operates in for real growth.

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

3 Debtors

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Deferred tax asset on tax losses	**406**	**406**

4 Creditors – amounts falling due within one year

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Amounts owed to subsidiaries	**21,607**	**16,242**

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

Notes to the Company Financial Statements

for the year ended 31 March 2023 (continued)

5 Provisions

	Scheme Fees provision £000
At 1 April 2021	554
Additional provision created during the period	-
Utilised during the period	(26)
Released during the period	(528)
At 31 March 2022	-
Additional provisions created during the period	-
Utilised during the period	-
Released during the period	-
At 31 March 2023	-

The scheme fees provision represented costs repayable on adviser fees in relation to the historical FCA Investigation. The provision was released in FY22 as repayment is no longer considered probable.

6 Share capital

During FY22 the Company purchased, and held in treasury, 2,170,203 of its ordinary share capital for total proceeds of £2,666,246. No such purchase has been made in FY23. During the year 1,441,481 treasury shares have been utilised for various share option exercises, leaving 728,722 shares held in treasury at 31 March 2023 (31 March 2022: 2,170,203).

7 Auditor' remuneration

The Company audit fee is £45,000 (FY22: £30,000). This fee was borne by another Group company.

8 Related parties

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

Directors' emoluments are disclosed in the Annual Report on Remuneration of the consolidated financial statements on page 70.

There were no other transactions with related parties in the year to 31 March 2023.

Directors and advisers

Directors

Executive

Peter Brotherton – Chief Executive Officer

David Senior – Chief Financial Officer

Non-executive

Nick Bate

Alan Aubrey

Company Secretary

Nick Heron

Company number

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