Innovation through communication

AdEPT Telecom plc

ANNUAL REPORT AND ACCOUNTS 2015

Innovation through communication

We don't treat our customers as numbers; we focus on personal service and meeting personal needs.

We're one of the UK's leading independent telecommunications providers, offering a complete unified communications portfolio: fixed line calls, line rental, mobile, data connectivity products hardware, managed services, Wi-Fi and IP telephony.

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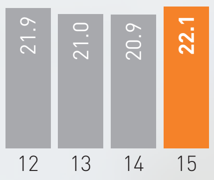
Our strategy and KPIs Page 08

Summary of our financial performance

Year ended 31 March 2015

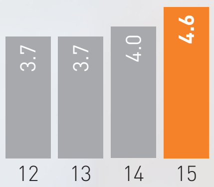
Revenue (£m)

£22.1m



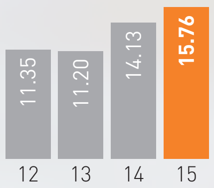
EBITDA† (£m)

£4.6m



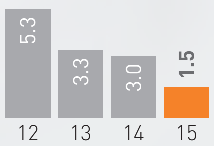
Adjusted earnings per share (p)

15.76p



Net debt (£m)

£1.5m



Financial highlights

- Twelfth consecutive year of increased underlying EBITDA up 13.5% to £4.6m (2014: £4.0m)
- Revenue increased by 5.8% to £22.1m (2014: £20.9m)
- Underlying EBITDA margin % increased by 1.4% to 20.8% (2014: 19.4%)
- 15.8% increase to profit before tax to £2.1m (2014: £1.8m)
- 15.3% increase to profit after tax to £1.5m (2014: £1.3m)
- 11.8% increase to earnings per share of 6.90p (2014: 6.17p)
- 11.5% increase to adjusted earnings per share of 15.76p (2014: 14.13p)
- 58.3% increase to dividends declared to 4.75p (interim 2.25p, final 2.50p) (2014: 3.00p)
- Cash generation with free cash flow, after interest, of £4.3m (2014: £2.6m)*
- Net debt reduction of £1.5m year on year to £1.5m (2014: £3.0m)**
- Total interest costs reduced by 9.1% to £0.23m (2014: £0.26m)

Operational highlights

- 15.0% increase to data connectivity and broadband revenues year on year
- Acquisition of entire issued share capital of Bluecherry Telecom Limited completed in April 2014

Visit our website at www.adept-telecom.co.uk for the latest investor news and information

Listen to our CEO www.adept-telecom.co.uk/investors

* Calculated as net cash from operating activities less interest paid

** Calculated as cash and cash equivalents less short-term and long-term borrowings

† Before non-recurring costs

AdEPT at a glance

AdEPT Telecom is one of the UK's leading network independent providers of voice and data telecommunications services. We provide solutions for thousands of companies of all sizes from multi-site, national call centres, public sector and healthcare customers, to small business and home offices.

Our solutions

The Company provides fixed line calls, line rental, mobile, data connectivity products, managed services and IP telephony to thousands of business and residential customers across the UK.

Nationwide reach

AdEPT offers a comprehensive range of business telecom products for all sizes of business. AdEPT has a highly experienced team of dedicated product specialists who support customers from its UK-based service centres.

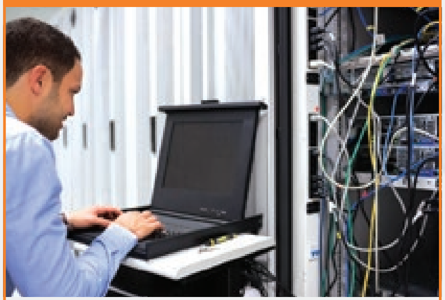
Data connectivity

AdEPT provides fast, low-contention, higher quality broadband, leased lines connections and MPLS networks using 21st Century Network technology.

Solutions are available from 2Mb broadband to 100Gb optical spectrum services at a surprisingly low cost.

- AdEPT partners with all the major networks across the UK, ensuring that the customer can be provided with the most appropriate and cost effective solution to meet their requirements.
- All our data solutions are scalable, so they can keep pace as business needs evolve.
- Whether it's a multi-site solution for a major UK company or an upgrade to IP telephony, AdEPT will tailor a solution.

Managed services



AdEPT offers award-winning helpdesk engineer services with a team of highly trained product specialists ready to assist customers with network solution architecture and diagnostics.

AdEPT has in place network partnerships with leading equipment vendors, including Avaya, Cisco and Medusa.

- Fully product trained engineer helpdesk available 24x7 who will carry out diagnostics and rectification.
- On-site engineers specialising in equipment installations or on-site maintenance.
- Equipment and software support direct from the manufacturers, including Avaya, Cisco and Medusa, for everything from bug fixes to firmware updates and escalations.
- International support for UK customers who have expanded around the globe.

Inbound

AdEPT's 'cloud' or network-based inbound call handling solutions offer a simple and scalable way to manage inbound calls, with online access enabling customers to implement changes instantly.

- AdEPT has a specialist team of inbound telephony experts that develop bespoke call management solutions.
- The customer can decide how they would like their calls answered, handled and directed.
- Low set up costs using network-based solutions means no additional hardware, integration or maintenance issues.
- Call queuing at network level removes strain from customers' telecoms infrastructure.
- The unique flexibility of our systems means that no matter what type of call handling solution is needed, we can deliver it.

IP telephony

AdEPT's IP telephony solutions, in partnership with the UK's largest data centre, are fully backed by a secure and reliable network. This provides a flexible and cost effective alternative to carrying inbound and outbound voice calls.

AdEPT provides both traditional calls and line rental and SIP and is therefore ideally placed to handle a fully managed migration to next generation IP telephony.

- Customers benefit from increased functionality compared to conventional telephone lines.
- There is little or no capital cost, meaning an end to obsolete phone systems.
- The AdEPT IP Solutions Team is trained to handle everything from solutions architecture to physical installation and implementation.

Fixed line

AdEPT offers a comprehensive range of traditional and next generation business telecom products for all sizes of business.

AdEPT provides great value of money combined with award-winning customer service levels. This gives customers peace of mind and a service they can rely on.

- We support the critical business communications for more than 15,000 small, medium and large enterprise companies across the UK.
- From single analogue business lines to complex digital multi-site solutions, the AdEPT range of products and services is scalable.
- AdEPT has strategic relationships with all tier-1 suppliers, including BT, Vodafone and TalkTalk Business, to ensure the best possible choice of networks.

Chairman's statement

Roger Wilson, Non-executive Chairman

For the year ended 31 March 2015 AdEPT Telecom plc ('AdEPT' or the 'Company') delivered another strong trading performance, and increased value for shareholders.

Summary

The Company has improved its EBITDA by 13.5% through direct sales, the acquisition of Bluecherry Telecom Limited, management of wholesale supply contracts and continued operational efficiency

- Continued deployment of 21CN data connectivity has led to data and broadband revenues increasing by 15% in the year
- Dividends increased by 58% year on year to 4.75p per share as a result of continued strong free cash flow generation
- Net borrowings were reduced to £1.5m at March 2015 despite undertaking a customer base acquisition and increasing the dividend
- In May 2015 the Company acquired Centrix Limited, a leading specialist provider of complex unified communications

Review of operations

I am pleased to report a twelfth consecutive increase to underlying EBITDA, up 13.5% to £4.6m. EBITDA margin has improved further from 19.4% to 20.8%.

In April 2014 AdEPT completed its nineteenth acquisition, the entire issued share capital of Bluecherry Telecom Limited which was fully integrated into the customer management system in Tunbridge Wells, Kent in April 2014.

AdEPT's continued strong cash flow generation resulted in £4.3m of free cash flow after interest. This free cash flow is after making corporation tax payments of £0.3m, which is considerably lower than the prior year as that included the transition to large company status for corporation tax purposes. £2.2m of free cash has been used to fund the contingent consideration of the customer base acquisition from Bluebell Telecom Limited in August 2013 and the initial consideration for the acquisition of the entire issued share capital of Bluecherry Telecom Limited. £0.7m of free cash was used to meet dividend payments to shareholders as the Company continues to apply its progressive policy.

The issue of new equity during the year to directors increasing their shareholdings following the exercise of share options resulted in a cash inflow of £0.2m, which was used by the Company to repurchase 122,203 of its own shares during the year ended 31 March 2015 at an average price of 148.9p pursuant to the stock exchange announcement issued on 18 December 2014. The Board believes that share repurchase scheme can improve stock liquidity and increase value to shareholders.

In line with its progressive policy, AdEPT has increased the dividend year on year by 58.3%, declaring a final dividend of 2.50p per ordinary share (2014: 1.50p), making total dividends declared during the year ended 31 March 2015 of 4.75p per ordinary share (2014: 3.00p). The Board is confident that the continued strong cash generation will support a progressive dividend policy.

AdEPT continues to provide voice and data services to its customers by offering best of breed products from all major UK networks. Continued deployment and development of 21CN data connectivity products with the tier-1 network partners has led to data and broadband revenues increasing by 15.0% in the year ended 31 March 2015. As the demand for faster data connectivity speeds continues AdEPT has seen further customer orders for 1–10Gb services, particularly from its base of university and college customers.

Growth strategy

The strategy of the Company remains that of increasing EBITDA and free cash generation by concentrating organic sales efforts on winning direct new business with larger customers, particularly in the public sector, and complementing this with earnings-enhancing acquisitions.

AdEPT has been highly successful in gaining traction in the public sector space during the past two years with a number of organic contract wins with public sector clients, including 25 councils. During the year we also won our first NHS Trust (Berkshire) and two housing associations.

We continue to concentrate on winning frameworks rather than individual tenders. In July 2014 AdEPT successfully renewed its approved supplier status for a further four years with Ja.net which allows AdEPT to continue to sell data connectivity to UK colleges and universities. In October 2014 AdEPT successfully renewed its status for a further two years as the sole supplier under the ESPO Telecom Framework 7 for calls, lines, broadband, super-fast internet access and SIP to public sector and registered charities nationwide. In February 2015 AdEPT was also awarded approved supplier status under the G-Cloud 6 RM1557vi framework. This is in addition to AdEPT's existing framework agreement with the Crown Commercial Service under the RM1035 framework.

On 1 April 2014 the Company acquired the entire issued share capital of Bluecherry Telecom Limited. The acquisition consideration was funded from operating cash flow.

Post-balance sheet events

After the balance sheet date, on 22 April 2015 the Company signed a new five year £15m revolving credit facility agreement with Barclays Bank plc. This longer-term facility replaced the previous £5m revolving credit facility, which had an 18 month term remaining, and the term loan which was due for repayment by September 2015. The new revolving credit facility offers the Company significantly greater funding flexibility and is on improved commercial terms when compared to the facility which it replaces.

On 1 May 2015 the Company acquired the entire issued share capital of Centrix Limited ('Centrix') for an initial cash consideration of £7m. Further consideration of between £Nil and £3.5m will be payable, also in cash, dependent upon performance of Centrix post-acquisition. Centrix, based in Hook, is a well-established UK-based specialist provider of complex unified communications, Avaya IP telephony, hosted IP solutions and managed services. Centrix offers its clients the delivery of complex unified communications and managed service solutions, which is an increasing requisite for AdEPT's existing and targeted enterprise and public sector customer base. Our revenue from public sector and healthcare will more than double with the acquisition. Centrix skills and product set will complement and enhance AdEPT's existing services and we will retain the office and customer service operation in Hook, Hampshire. Approximately 80% of Centrix revenue is generated from recurring revenue streams. AdEPT and Centrix have both adopted capital asset light strategies and are dedicated to offering a full suite of flexible data and unified communication strategies.

Our new banking facilities have enabled the Board to continue to identify and evaluate strategic acquisitions that are considered to meet the criteria of complementing existing business whilst adding value to our shareholders. The organic growth strategy continues to be winning larger customers and existing client retention. We also continue to target greater cross-sell penetration and development of new products.

Employees

The improved profitability and free cash flow generation this year was made possible by the continued hard work and focus of all employees at AdEPT. As a company we are immensely proud of the track record we have created over the last twelve years and on behalf of the Board I would like to take this opportunity to thank all of our employees for their continued hard work.

Shareholder benefits scheme

The AdEPT shareholder benefits scheme has continued to attract new members during the year. The scheme, which is available to all shareholders owning a minimum of 250 shares, provides eligible shareholders with free residential line rental worth approximately £154 per annum for as long as they remain eligible shareholders.

Outlook

The improved EBITDA this year was underpinned by focus on underlying profitability through improving margins on customer contracts, operational efficiencies, tight credit control and strategic acquisition of a complementary customer base. The Board is confident that continued strong cash generation will support a progressive dividend policy.

The business focus for the coming year remains on continued development of organic sales through leveraging AdEPT's approved supplier status on the various telecom frameworks, maintaining profitability and cash flow generation, which will be used to reduce net borrowings and/or fund suitable earnings-enhancing acquisitions, if identified. We will therefore continue to invest in our organic sales channels, work with our network partners to develop new products, complement this with further investment in retention activities to retain customers and work with strategic partners to actively identify potential acquisition targets which meet the Company's requirements.

Roger Wilson
Non-executive Chairman
10 July 2015

How we work

We have a robust and sustainable business model that engages our expertise to drive growth and generate profit. The Board believes that AdEPT operates a resilient business model with excellent cash generation and has a strong customer proposition which will present further opportunities in the coming year.

Our markets

The market in which we operate

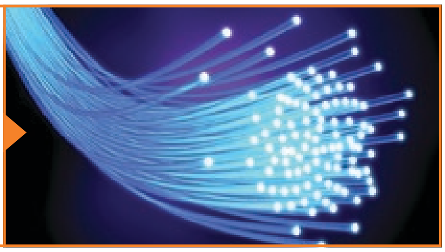
AdEPT is one of the UK's leading independent communications integrators, specialising in multi-site and multi-product solutions.

The UK market for business telephony is highly fragmented with more than 900 providers. AdEPT was originally established as a traditional fixed line service provider; however, the Company is successfully transitioning to a complete communications integrator providing a full suite of data connectivity and broadband services.

Emerging markets

Next generation services continue to evolve both technically and commercially.

The take-up of IP telephony services continues to be small scale compared to traditional fixed line telephony, partly due to regulatory pressures on fixed line pricing. However, IP telephony is likely to increasingly displace legacy voice infrastructures. AdEPT is ideally positioned to handle the transition from traditional to next generation services by being able to provide a single bill solution for both technologies.



Key trends

The market for voice revenues continues to be under volume pressure in contrast to data revenue.

The continued deployment of 21CN network infrastructure and products combined with the ever increasing demand for faster data connectivity and more capacity continue to drive business telephony requirements. The increasing availability of super-fast broadband services has continued, with services now available to more than 60% of the UK. AdEPT has continued to broaden its product offering of data, broadband and IP telephony services to ensure that it can offer all of the latest technology. The increased uptake of 'cloud' or network-based services for business contact centres is expected to continue as businesses utilise business telephony to achieve their own growth objectives.

Outlook

Following the recent acquisition of Centrix Limited, a leading UK-based specialist provider of complex unified communications, the Board considers that there are an increased number of opportunities for AdEPT as the product portfolio of the Group has been extended to include services such as managed services, Wi-Fi and Avaya IP telephony.

In addition, AdEPT continues to maintain its approved supplier status on a number of public sector frameworks which will be leveraged to increase the Company's presence as a supplier to the public and healthcare sectors. This is to complement the continued consolidation of the fragmented UK telephony market through the strategic acquisition of other telecom businesses and customer bases.

Public sector and healthcare focus

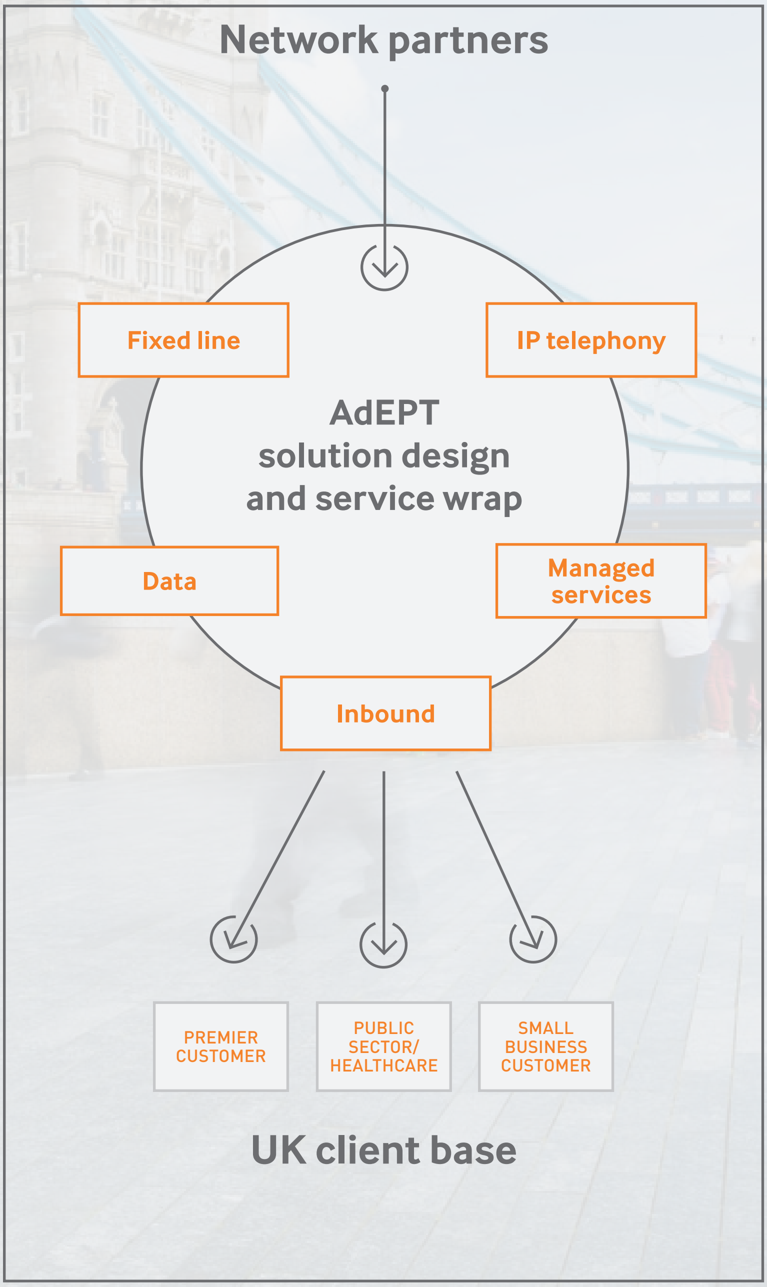
AdEPT provides an integrated telephony and call centre solution for the overseas arm of America's leading provider of private healthcare services in over 30 world-class private hospitals and medical centres across the UK. The customer requirement encompasses a diverse mix of users including back-office staff, consultants, patients, inbound call centre agents and management. Due to the critical nature of the customers' business it is vital for them to have a communications partnership and solution on which they can rely.

AdEPT provides a resilient unified telephony solution which also integrates with the customers Meditech patient portal, crash-call paging and nurse call systems.

The services provided range from basic telephony to PCI-compliant voice recording in the award-winning contact centre and the latest IP DECT wireless solution, which integrates with door entry alarms and monitors gases alarms too.

As well as providing voice and data hardware we also provide the ISDN, SIP and gigabit backbones between sites for enhanced resilience and future-proof delivery of more products and services.

Our business model



Network partners

AdEPT has established relationships with all of the major UK network operators and communication suppliers, working with tier-1 carrier partners to develop products and solutions which meet the ever changing needs of customers.

AdEPT's focus with its carrier partners is to develop and provide cost effective solutions with enhanced features and resilience. AdEPT selects its carrier partners on the basis of technical and financial stability, in order to manage the supply risk associated with a business critical supply.

AdEPT solution design and service wrap

AdEPT combines multi-product solutions from a number of carrier partners to provide bespoke solutions tailored to meet the specific requirements of customers.

AdEPT provides a single invoice solution for customers combined with award-winning customer service and support available at a lower spend level than other larger telecommunications businesses. AdEPT provides dedicated account management for customers spending as little as £400 per month on telecommunications.

UK client base

AdEPT provides competitively priced communications solutions for all sizes of UK-based clients spread across a wide range of business sectors.

AdEPT and its sales channels work with its customer base to develop appropriate communications solutions. AdEPT Telecom is widely recognised as a multi-site multi-product specialist, with more than 700 multi-site customers taking a range of products. AdEPT is increasingly focused on Premier, Public Sector and Healthcare customers who can benefit from AdEPT's ability to provide a full communication solution.

Our strategy and KPIs

Our strategy focuses on four key areas, enabling the Company to expand its product range, investing in customer retention, increasing public sector presence by leveraging frameworks and identifying strategic acquisition opportunities.

Key areas

Our strategy is based around four key areas:

Products

AdEPT was originally established as a fixed line telecom provider but is diversifying its product range to become one of the UK's leading independent communications integrators.

Customers

Our business is focused on providing high levels of customer service. Our award-winning UK-based customer service team has all the necessary skills to give our customers peace of mind and a service they can rely on.

Our aims

Development and expansion of our product range

To constantly monitor product development to ensure that we can offer all of the latest and best of breed products.

Investment in customer retention activities

Improve customer retention by maintaining the highest standards of customer service combined with a highly competitive product offering.

Our achievements

Products:

- Added new products to the portfolio, such as 40Gb and 100Gb OSA, and successfully sold these into the customer base.
- Our 'cloud' and network-based next generation services have been rolled out to more customers.

Customers:

- Continued investment in retention strategies to retain customers.
- Won new larger customers and retaining existing clients through providing dedicated account management.

Our solutions

Products:

- Data services will be a key area of expansion as the demand for faster data connectivity speeds continues. Continue to evaluate new connectivity products and introduce them to the portfolio.

Customers:

- Maintaining high levels of customer service will remain a critical element of our business model.

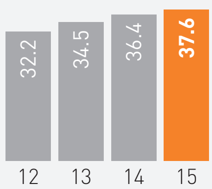
Our results

Financial performance

Gross margin

37.6%

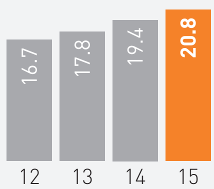
(2014: 36.4%)



EBITDA margin

20.8%

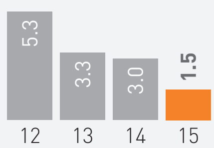
(2014: 19.4%)



Net debt

£1.5m

(2014: £3.0m)



Frameworks

AdEPT is focused upon increasing its public sector presence and helping those customers achieve the budget reductions and cost initiatives they have been set.

Utilising approved supplier status

Further develop the existing public sector relationships and forge new partnerships with public sector customers.

- Achieved approved supplier status on three public sector frameworks.
- Leveraged our position on the frameworks to bring in a large number of public sector customers.

- Continue to review the development of public sector frameworks and ensure that AdEPT remains in a position to be able to take advantage of opportunities as they arise.

Acquisitions

The Board continues to identify and evaluate strategic acquisitions that are considered to meet the criteria of complementing existing business whilst adding value to our shareholders.

Identify strategic acquisitions to add shareholder value

The operational and financial platform in place has been developed to provide further efficiencies from increased scale.

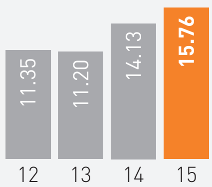
- Acquired and fully integrated of 20 customer bases to date, including Bluecherry Telecom in the current year and Centrix post-year end.
- Careful planning and rigorous operational and financial due diligence was undertaken to minimise integration and execution risk.

- The executive director team and the Board will continue to monitor all potential acquisition targets that meet the criteria of complementing existing business and adding value.

Non-financial performance

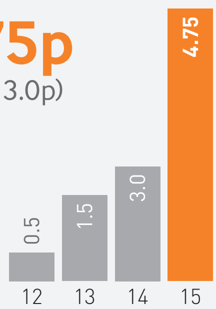
Adjusted earnings per share

15.76p
(2014: 14.13p)



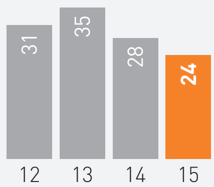
Dividend per share

4.75p
(2014: 3.0p)



Customer credit collection

24 days
(2014: 28 days)



Strategic report
John Swaite, Finance director

Focus on underlying profitability combined with strategic acquisition and high free cash flow conversion has delivered increased EBITDA whilst reducing net debt. This has supported an increase to dividends.

Summary

- EBITDA increase of 13.5% to £4.6m was the twelfth consecutive increase since AdEPT's inception in 2003
- Strong free cash flow, before interest, of £4.3m has been used to fund the acquisition of Bluecherry Telecom and the progressive dividend policy
- Adjusted earnings per share increased by 11.5% to 15.8p per share giving 3.3x dividend cover at March 2015
- In April 2015 the Company signed a new five year £15m banking facility with Barclays

Principal activities and review of business

The principal activity of the Company is the provision of voice and data communication services to both domestic and business customers. A review of the business is contained in the chairman's statement on pages 4 to 5 and the highlights are summarised in the strategic report on pages 6 to 14.

Revenue

During the year AdEPT has continued its diversification from a traditional fixed line service provider towards next generation products. Total revenue generated from data, mobile, inbound and other services represented 27.4% of total revenue in the year ended 31 March 2015 (2014: 24.7%).

Total revenue increased by 5.8% to £22.1m (2014: £20.9m):

- Traditional fixed line revenues increased to £16.0m (2014: £15.7m), which is largely a reflection of the contribution from the Bluecherry Telecom Limited acquisition which has been partially offset by the continued impact of the OFCOM regulatory price control for mobile termination costs reducing call spend from landline to mobile networks. In addition, call volume reductions arising from continued substitution with email and mobile-based telephony applied further top-line pressure to call revenues. However, the Company's reliance on call revenues continues to reduce with call revenue providing only 25.3% of total revenue in the year ended 31 March 2015 (2014: 29.3%).
- Data and broadband product revenues increased by 15.0% to £3.8m (2014: £3.3m). AdEPT has continued to make progress in expanding the number of circuits and connections from new customer additions and through cross-selling into the existing customer base. As the demand for faster data connectivity speeds continues AdEPT has seen further customer orders for 1–10Gb services.

The Company continues to focus on products delivering fixed monthly revenue streams to reduce revenue volatility. The proportion of revenue, which is fixed monthly values, increased to 65.9% of total revenue for the year ended March 2015 (2014: 63.3%) following the continued focus on multi-product sales (calls, line rental, broadband and data connectivity products) and the enhancement of the data connectivity product portfolio.

AdEPT has been highly successful in gaining traction in the public sector space during the last two years through leveraging its approved status on various frameworks; this contract success is included in the 2015 revenue figures. In July 2014 AdEPT successfully renewed its approved supplier status for a further four years with Ja.net under which AdEPT is one of only a small number of companies approved to sell data connectivity to UK colleges and universities. In October 2014 AdEPT successfully renewed its status for a further two years as the sole recommended supplier to public service bodies and registered charities for calls, lines, broadband, super-fast broadband (fibre) and SIP trunks. In February 2015 AdEPT was also awarded approved supplier status under the G-Cloud 6 RM1557vi framework for software as a service (SaaS). This is in addition to AdEPT's existing framework agreement with the Crown Commercial Service under the RM1035 framework.

The Company is continuing to focus its organic sales efforts on adding and retaining larger customers whilst complementing this with an acquisitive strategy. AdEPT's largest 1,000 customers account for approximately 50% of total revenue, with the top ten customers accounting for 12.9% of total revenue (March 2014: 13.8%).

Gross margin

The price of calls to mobiles continued to decrease during the year ended March 2014 as a result of the OFCOM regulatory impact of reduced mobile termination rates. However, gross margins have been maintained at an absolute and per cent. level through close monitoring of customer profitability and supply chain management of wholesale contracts.

As the product mix has moved further towards the relatively lower margin data and broadband revenue streams, this has provided some downward pressure on blended total gross margin.

EBITDA

Underlying EBITDA is defined as operating profit after adding back depreciation, amortisation and impairment charges and share-based payment charges.

EBITDA has increased for the twelfth consecutive year since AdEPT's inception in 2003. The Company has focused on the underlying profitability of customers and revenue streams combined with tight overhead control, industry leading debt collection and wholesale supply chain negotiation.

Finance costs

Total interest costs have reduced by 9.1% to £0.23m (2014: £0.26m) arising from further deleveraging combined with treasury management of surplus cash balances.

Profit before tax

This year the Company has recorded a £0.29m improvement to profit before tax with a reported £2.14m (2014: £1.85m). The improvement to profit before tax arises from the EBITDA improvement combined with the reduction in finance costs.

Summary of three year financial performance

	Year ended March				
	2015 £'000	Year on year %	2014 £'000	Year on year %	2013 £'000
Revenue	**22,066**	5.8%	20,852	(0.8%)	21,023
Gross margin	**8,298**	9.4%	7,584	4.4%	7,261
EBITDA	**4,591**	13.5%	4,043	8.3%	3,732
Net debt	**1,539**		2,962		3,270

Profit after tax and earnings per share

The profit for the year, after taxation, amounted to £1.53m (2014: £1.33m). Basic earnings per share increased by 11.8% to 6.90p (2014: 6.17p). Adjusted earnings per share, based on the profit for the year attributable to equity holders adding back amortisation and non-recurring costs (see Note 24), increased by 11.5% to 15.76p per share (2014: 14.13p).

On 18 December 2014 the Company issued an announcement to the stock exchange that pursuant to the general authority given to it at the Company's 2014 annual general meeting that it intended to commence a limited share buyback of its own ordinary shares in order to improve stock liquidity and increase value to shareholders. During the year ended 31 March 2015 the Company repurchased 122,203 shares at an average price of 148.9p, the cost of these repurchases were met from the cash proceeds of share options exercised by the executive directors during the year. All shares repurchased by the Company were cancelled prior to the year end. The directors will continue to monitor the level of cash required for the business and determine if further repurchases remain in the shareholders' best interests.

Dividends and dividend per share

On the back of strong cash flow generation AdEPT announced an interim dividend of 2.25p per share, which was paid to shareholders on 10 April 2015. The Board of AdEPT Telecom announced on 7 April 2015 that, subject to shareholder approval at the annual general meeting later in the year, it is declaring a final dividend of 2.50p per ordinary share (2014: 1.50p). This dividend is expected to be paid on or around 9 October 2015 to shareholders on the register at 18 September 2015.

Total dividends approved and declared during the year ended 31 March 2015 of 4.75p per ordinary share represent a 58.3% increase year on year (2014: 3.00p). The Board constantly monitors shareholder value and is confident that the continued strong cash generation will support a progressive dividend policy.

Strategic report continued

Cash flow

The Company benefits from an excellent cash generating operating model. Low capital expenditure results in EBITDA turning into cash. Reported EBITDA turned into net cash from operating activities is 98.4% (2014: 69.8%); this has increased during the year as the prior period included the cash impact of the transition to large company status for corporation tax purposes which resulted in the company paying both the prior year corporation tax liability and three quarters of the current year's tax liability by advance instalments during the twelve months ended 31 March 2014. The Company has continued to manage its credit risk in the current economic climate and the collections of trade receivables have been reduced during the year with customer collection periods of 24 days (2014: 28 days).

Cash interest paid has reduced by 28.4% during the year to £0.17m (2014: £0.24m) which arises from a reduction in net borrowing across the period combined with active treasury management of surplus cash.

Cash outflows of £2.2m have been incurred in the year ended 31 March 2015 in relation to acquisitions. The contingent consideration in respect of the customer base of Bluebell Telecom Limited was paid in September and October 2014 with no further amounts due. The initial cash consideration of £1.78m was paid in April 2014 in relation to the acquisition of the entire issued share capital of Bluecherry Telecom Limited. On 20 April 2015, after the year end, the contingent consideration of £0.2m was paid with no further amounts due.

Dividends paid during the year ended 31 March 2015 absorbed £0.66m of cash (2014: £0.32m), this increase over the prior period arises from the continued application of the progressive dividend policy.

Cash inflows of £0.2m were generated from the issue of new equity during the year. Three of the executive director team increased their shareholdings in the Company following the exercise of share options. Pursuant to the stock exchange announcement during December 2014 these funds were used by the Company to make strategic purchases of its own shares.

There was a decrease to cash and cash equivalents during the year of £1.7m; this arose from a net reduction in the drawn element of the Barclays revolving credit facility across the year to reduce interest charges. The Company will continue to apply its treasury management policies to minimise the cost of finance whilst retaining flexibility to meet its growth strategies.

Capital expenditure

The Company operates an asset light strategy and has low capital requirements; therefore expenditure on fixed assets is low at 0.3% of revenue (2014: 0.4%).

Business combinations

The strategy of the Company is to concentrate organic sales efforts on attracting larger customers, particularly in the public sector. Rather than operate a telesales operation aimed at acquiring smaller business customers organically we instead use our free cash generation to acquire customer bases from other telecommunications suppliers in the industry.

On 1 April 2014 the Company acquired the entire issued share capital of Bluecherry Telecom Limited, a supplier of fixed line calls, line rental and data connectivity products to small and medium-sized businesses. Total consideration was £2.01m plus the value of the net assets at completion (amounting to £0.28m and being represented by cash), with £1.81m initial consideration paid in cash with the contingent consideration of £0.2m paid in cash on 20 April 2015. Acquisition related costs have been recognised as an expense in the statement of comprehensive income for the year ended 31 March 2015.

A fair value of £2.01m in relation to the customer contracts for the acquired business has been recognised as intangible asset additions in the year ended 31 March 2015. The intangible assets, being represented by the customer base, were hived up to AdEPT immediately upon acquisition. No other assets or liabilities were acquired. Included in the fair value calculations above is an intangible asset, representing the estimate of future cash flows of the acquired customer base in the hands of the Company.

Further details on the acquisition during the year are described in Note 26 to the financial statements.

Post-year end on 1 May 2015 the Company acquired the entire issued share capital of Centrix Limited for an initial consideration of £7m plus the value of the cash balance at completion (approximately £1.9m), payable in cash. Further consideration of between £Nil and £3.5m will be payable, also in cash, dependent upon performance of Centrix post-acquisition.

Further details on the acquisition post-balance sheet date are described in Note 27 to the financial statements.

Net debt and bank facilities

A key strength of AdEPT is its consistent, proven ability to generate strong free cash flow, which is supported by more than £10.5m reduction to net borrowings since the peak of £12.3m in June 2008. As a result of the Company's focus on underlying profitability and cash conversion, free cash flow after bank interest of £4.3m was generated during the year ended 31 March 2015.

£2.2m of free cash flow has been used to fund acquisitions of customer bases, £0.3m being applied to net debt reduction during the year, £0.7m dividends paid and £0.1m capital expenditure. Net cash inflows of £0.3m have arisen from the issue of new equity following the exercise of share options by executive directors. Net debt, which comprises cash balances and bank borrowings, has improved to £1.5m at the year end (2014: £3.0m).

On 22 April 2015 the Company signed a new five year £15m revolving credit facility agreement with Barclays Bank plc. This longer-term facility replaced the previous £5m revolving credit facility, which had an 18 month term remaining, and the term loan which was due for repayment by September 2015. The new revolving credit facility offers the Company significantly greater funding flexibility and is on longer and improved commercial terms when compared to the facility which it replaces. The new revolving credit facility bears interest at 2.30% over LIBOR on drawn funds and is repayable in full on the final repayment date of 21 April 2020.

The Company's available banking facilities are described in Note 25 to the financial statements.

Key performance indicators (KPIs)

The KPIs outlined below are intended to provide useful information when interpreting the accounts.

	Fixed line services £'000	Data, inbound, mobile and other services £'000	Total £'000
Year ended 31 March 2015			
Revenue	**16,026**	**6,040**	**22,066**
Gross profit	**6,160**	**2,138**	**8,298**
Gross margin %	**38.4%**	**35.4%**	**37.6%**
Year ended 31 March 2014			
Revenue	15,705	5,147	20,852
Gross profit	6,016	1,568	7,584
Gross margin %	38.3%	30.5%	36.4%

Principal risks and uncertainties

There are a number of potential risks and uncertainties, which could have a material impact on the Company's long-term performance and could cause actual results to differ materially from expected results.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. External funding facilities are managed to ensure that both short-term and longer-term funding is available to provide short-term flexibility whilst providing sufficient funding to the Company's forecast working capital requirements.

Credit risk

The Company extends credit to customers of various durations depending on customer creditworthiness and industry custom and practice for the product or service. In the event that a customer proves unable to meet payments when they fall due, the Company will suffer adverse consequences. To manage this, the Company continually monitors credit terms to ensure that no single customer is granted credit inappropriate to its credit risk. Additionally, 67% of our customer receipts are by monthly direct debit. The risk is further reduced by the customer base being spread across all industry and service sectors. The top ten customers account for approximately 13% of revenues.

Competitor risk

The Company operates in a highly competitive market with rapidly changing product and pricing innovations. We are subject to the threat of our competitors launching new products in our markets (including updating product lines) before we make corresponding updates and development to our own product range. This could render our products and services out of date and could result in loss of market share. To reduce this risk, we undertake new product development and maintain strong supplier relationships to ensure that we have products at various stages of the lifecycle.

Competitor risk also manifests itself in price pressures which are usually experienced in more mature markets. This results not only in downward pressure on our gross margins but also in the risk that our products are not considered to represent value for money. The Company therefore monitors market prices on an ongoing basis.

Acquisition integration execution

The Company has set out that its strategy includes the acquisition of businesses where they are earnings enhancing. The Board acknowledges that there is a risk of operational disturbance in the course of integrating the acquired businesses with existing operations. The Company mitigates this risk by careful planning and rigorous due diligence.

John Swaite

John Swaite
Finance director
10 July 2015

Corporate social responsibility

AdEPT is committed to operating in a socially and environmentally responsible manner and structures its policies and practice accordingly.

AdEPT is committed to operating in a socially and environmentally responsible manner and structures its policies and practice accordingly.

Employee involvement

The directors believe that the employees of the Company are one of its most important assets and the continued and sustained development of the Company relies on its ability to retain and attract employees of a high standard. AdEPT is proud to have a high number of long-serving employees with more than five years' service.

The AdEPT equal opportunities policy ensures that all job applicants and employees are treated fairly and without favour or prejudice. We are committed to applying this policy throughout all areas of employment, recruitment and selection, training, development and promotion.

Employees are regularly informed of matters concerning their interest and the financial factors affecting the Company. The Company uses management forums and employee newsletters to communicate matters as well as team and individual meetings.

Environmental commitment

AdEPT Telecom plc is committed to promoting sustainability. Concern for the environment and promoting a broader sustainability agenda are integral to AdEPT's professional activities and the management of the organisation. We aim to follow and to promote good sustainability practice, to carry out our operations in a way which manages and minimises any adverse environmental impacts from our activities and to help our clients and partners to do the same.

Our sustainability policy is based upon the principles of continual and effective improvement on environmental performance. This policy is communicated to our employees, associates, suppliers, clients and other parties to ensure that all parties are fully aware of our sustainability policy and are committed to implementing and improving it. The sustainability policy is reviewed annually, and we are committed to continually striving to improve our sustainability performance within the guidelines of our organisation.

The Company encourages its staff to use public transport to attend meetings and site visits whenever possible and minimise sole occupancy travel whenever practical. The Company is committed to encouraging the use of teleconferencing or video-conferencing, and efficient timing of meetings to avoid unnecessary journeys. In addition the Company supports alternative working arrangements, including home working.

AdEPT encourages the reuse or recycling of office waste, including paper, packaging, computer supplies and redundant equipment. Wherever possible AdEPT ensures that waste materials are disposed of in an environmentally safe manner and in accordance with regulations. AdEPT is committed to reducing the energy consumptions of office equipment by purchasing energy efficient equipment and by good housekeeping.

Charity partnership

Demelza Children's Hospice – Corporate Fundraiser

It costs £9m a year to run Demelza's hospice services across Kent, South-east London and East Sussex and only a small percentage of the money comes from the government. The majority of money comes from voluntary income and fundraising.

AdEPT Telecom is proud to be a corporate fundraiser for Demelza Children's Hospice (the only children's hospice in the south-east of England).

In addition to our employees' fundraising events we are delighted that one of our non-executive directors, Chris Fishwick, has been awarded the honour of being a vice president of Demelza Children's Hospice.

Fund raising initiatives which AdEPT has been proud to support include:

- **Bricks and Water Appeal**
  A total of £1.5m was raised by this appeal to build new bedrooms and hydro pools for the terminally ill children. Chris Fishwick was chairman of this initiative.

- **Play 'n' Sailing Appeal**
  This appeal was to raise £130,000 to replace the outdoor play area which was worn out. Demelza considered that the playground is probably one of the most important facilities in a children's hospice.

Board of directors

● Audit committee member

● Remuneration committee member

Roger Wilson ●●

Non-executive Chairman (BA Hons, DMS)

Roger has worked in the telecom industry for more than 20 years. He was the first managing director for Telewest Communications' residential consumer business in the UK from January 1997 until March 1998. Roger spent three years between June 1998 and April 2001 in Poland establishing a telecom business for American investors. Moreover, he was managing director of ECTA, the European Competitive Telecommunications Association, until January 2006. Roger is a member of the Company's remuneration and audit committees.

Christopher Fishwick ●●

Non-executive deputy Chairman (FRSA)

Chris worked in the City of London for over 25 years, starting his career as a member of the London Stock Exchange and, latterly, as chief executive of Aberdeen Asset Managers Limited. He brings extensive experience of corporate life, having been on the boards of more than 15 quoted companies covering the sectors of property, insurance, technology, asset management and smaller companies. He has spent the last ten years as a venture capitalist investing in smaller quoted and unquoted companies. Chris is a member of the Company's remuneration and audit committees.

Ian Fishwick

Chief executive (MBA, ACMA)

Ian has been a chief executive or managing director in the telecoms industry for more than 20 years and is the original founder of AdEPT. In that time he has completed more than 30 telecoms mergers and acquisitions. Prior to founding AdEPT Telecom in February 2003, from 1983 to 1995 Ian rose through the ranks at Marconi Secure Systems including two years as financial controller and five years as managing director. From 1996 to 2000 Ian was a managing director at Telewest Communications, managing Telewest North West, Telewest London and South East and Cable London. Ian was managing director of World Access (UK) Limited from 2000 to 2001.

John Swaite

Finance director (BA Hons, FCA)

John joined AdEPT in March 2008 as Group financial controller and was promoted to finance director and the Board in January 2009. Prior to joining AdEPT, John spent more than nine years with one of the UK's leading accounting firms, Crowe Clark Whitehill LLP (CCW). In his role as senior corporate finance manager at CCW, John was responsible for all aspects of financial due diligence and transaction support on mergers, acquisitions, flotations and subsequent public offerings with transaction values up to £120m.

Joe Murphy

Sales director

Joe joined AdEPT in February 2005 and has been instrumental in the development of one of the UK's largest telecoms indirect sales channels. Joe joined AdEPT from Eescape Ltd where he managed key customer accounts including Samsung and MFI. Prior to this he spent four years with BT Wholesale, where he was account manager within the UK service providers division. Joe was appointed sales director in May 2009 and joined the Board in July 2010.

Dusko Lukic ●●

Non-executive director

Dusko has worked for over 20 years as an institutional stockbroker covering UK and Continental European equity markets with City firms Wood Mackenzie, Salomon Brothers, Schroder Securities and Cazenove. Whilst at Cazenove, Dusko was the director responsible for pan-European equity sales to German institutions. In 2005 Dusko founded Draganfly Investments Ltd, an AIM-quoted investment company, and in 2006 was the co-founder of Intrinsic Capital LLP, a smaller company investment boutique. Dusko is Chairman of the Company's remuneration and audit committees.

Amanda Woodruffe

Chief operating officer

Amanda has held a wide variety of senior customer operations roles for major companies. At BT she was a customer service troubleshooter, winning the chairman's award for quality. Amanda worked with Ian Fishwick on the cable mergers of Kent, Essex and London before taking on a national role at Telewest. She was a key member of the team that set up the discount airlines Go and Hapag Lloyd Express. Her consultancy assignments have been worldwide for companies such as Sonera (mobile) and BoStream (broadband in Sweden). She also worked as a consultant at EdExcel following the highly publicised A-level fiasco in 2002. EdExcel went on to become 'best examination board' in 2003.

Directors' report

For the year ended 31 March 2015

The directors present their report and the financial statements for the year ended 31 March 2015.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the strategic report, the report of the directors and other information included in the annual report and financial statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the AdEPT Telecom plc website is the responsibility of the directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Corporate governance

Although, as an AIM listed company, the Company is not required to comply with the provisions of the UK Corporate Governance Code (the 'Code') and this is not a statement of compliance as required by the Code, this report shows how the Group has applied the principles of good corporate governance. The Board of directors recognises the importance of, and is committed to, ensuring that effective corporate governance procedures are in place and are appropriate for a public company of its size and complexity.

The Board

Executive directors	Non-executive directors
Ian Fishwick	Roger Wilson
John Swaite	Christopher Fishwick
Amanda Woodruffe	Dusko Lukic
Joe Murphy	

Remuneration committee

The remuneration committee is responsible for the policy for the remuneration of the executive directors, Company secretary and the Operating Board.

Members
Dusko Lukic (Chairman)
Roger Wilson
Christopher Fishwick

Audit committee

The audit committee has responsibility for planning and reviewing the Company's interim and preliminary reports and accounts.

Members
Dusko Lukic (Chairman)
Christopher Fishwick
Roger Wilson

The Board recognises the importance of sound corporate governance and intends to comply insofar as practicable with the Quoted Companies Alliance's Corporate Governance Guidelines for AIM companies. The guidelines recommend that an AIM company should have at least two independent non-executive directors.

The Board considers that two of the existing non-executive directors, Roger Wilson and Chris Fishwick, are not independent for the purposes of these guidelines due to their level of shareholdings in the Company and, therefore, that Dusko Lukic is the only independent non-executive director.

The Board

The Board comprises four executive directors and three non-executive directors. The Board meets regularly throughout the year and has a formal schedule of matters specifically reserved for its decision. This schedule is included in the corporate governance document available on the Company's website at www.adept-telecom.co.uk under the investor relations section.

If required, the directors are entitled to take independent legal advice and, if the Board is informed in advance, the cost of the advice will be reimbursed by the Company. The company secretary's services are available to all members of the Board.

Board appointments

The Company does not have a nomination committee which is not in compliance with the Combined Code. Any decision to appoint further directors to the Board is a decision taken by the whole Board and, where necessary, new Board members will be provided with appropriate training in respect of their role and responsibilities as a public company director.

Audit committee
An audit committee, consisting of Roger Wilson, Chris Fishwick, Dusko Lukic and John Swaite, operated throughout the year. The audit committee determines the application of the financial reporting and internal control and risk management procedures and the scope, quality and results of the external audit.

Remuneration committee
A remuneration committee, consisting of Roger Wilson, Chris Fishwick and Dusko Lukic, operated throughout the year. It reviews the performance of the executive directors and considers bonus and share option schemes. None of the executive directors take part in discussions concerning their remuneration.

Meeting attendance
Details of the attendance of individual members at meetings during the year are shown in the table below:

	Management Board meetings	Board meetings	Audit committee	Remuneration committee	Other meetings	**Total attendance**
R Wilson	—	5	1	2	2	**10**
C Fishwick	38	5	1	2	1	**47**
D Lukic	—	5	1	2	1	**9**
I Fishwick	42	5	—	—	2	**49**
A Woodruffe	42	5	—	—	2	**49**
J Swaite	42	5	1	—	2	**50**
J Murphy	42	5	—	—	2	**49**

Going concern
Based on the normal business planning and control procedures the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the accounts.

Relations with shareholders
The Company has a regular dialogue with institutional shareholders and communication with shareholders is given a high priority. The Board welcomes the attendance of individual shareholders at general meetings and the opportunity to address any questions they may have. The notice of the annual general meeting will be sent to shareholders at least 23 days before the meeting. The proxies for and against each resolution are announced at the meetings. Shareholders are encouraged to view the Company's website at www.adept-telecom.co.uk which includes links to the Company share price, formal announcements, corporate governance and financial statements.

Internal control and risk assessment
The directors are responsible for risk assessment and systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The key features of the Company's system of internal control are:

- management structure with clearly defined responsibilities and authority limits;
- comprehensive system of reporting financial results to the Board. Towards the end of each financial year, detailed budgets are prepared for the following year. Re-forecasts are prepared on a regular basis during the year, for example reflecting an additional acquisition. The actual results are compared to budget and/or re-forecasts as appropriate;
- regular review of staff skills, identifying and providing training;
- regular review of operational performance by the executive directors, including sales and customer service;
- appraisal and authorisation of capital expenditure;
- approval of significant contracts; and
- review of the risks faced by the Company.

Research and development activities
The Company continually monitors new product development and actively works with it's tier-1 network carrier partners on the development and adoption of new products and services. In addition, the Company undertakes regular review and development of its in-house billing and customer management systems to ensure that it can continue to provide highly levels of customer service and support.

Financial risk management
The Company policy in relation to financial and credit risk management is included within the strategic report and Note 25 to the financial statements.

Share repurchase scheme
In December 2014 the Company began its share buyback scheme. The scheme was entered into in order to improve stock liquidity and increase value to shareholders. In arriving at the level of cash available to be returned to shareholders, the Board took into account the levels of funding remaining in the Group to enable it to meet its working capital requirements. The directors will continue to monitor the level of cash required for the business and determine if further repurchases remain in the shareholders' best interests.

Dividends
The details of dividends approved and declared during the year is included within the strategic report.

Directors' report continued

For the year ended 31 March 2015

Provision of information to auditors

So far as each of the directors is aware at the time the report was approved:

- there was no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors were aware of that information.

Going concern

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors have taken notice of the Financial Reporting Council guidance 'Going Concern and liquidity Risk: Guidance for Directors of UK Companies 2009', which requires the reasons for this decision to be explained. The directors regard the going concern basis as remaining appropriate as they have assessed the Company's financial performance and position. Based upon this, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Employee involvement

The Company aims to improve the performance of the organisation through the development of its employees. Their involvement is encouraged by means of team working, team briefings, consultative committees and working parties.

The Company has in place an indemnity insurance policy for the benefit of the senior management and employees at a cost of £2,968 (2014: £2,968).

Disabled employees

The Company is committed to equality of employment and its policies reflect a disregard of factors such as disability in the selection and development of employees.

Strategic report

Information previously shown in the directors' report, which includes the business review and principal risks and uncertainties, is now shown in the strategic report in accordance with Section 414c(ii) of the Companies Act 2006.

Auditors

The auditors, Crowe Clark Whitehill LLP, will be proposed for re-appointment in accordance with Section 489 of the Companies Act 2006.

By order of the Board

Ian Fishwick
Director
10 July 2015

Independent auditors' report

To the shareholders of AdEPT Telecom plc

We have audited the financial statements of AdEPT Telecom plc for the year ended 31 March 2015 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and related Notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union.

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns;
- 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.

Mark Anderson
Senior Statutory Auditor
For and on behalf of Crowe Clark Whitehill LLP
Statutory auditor
Tunbridge Wells
15 July 2015

Statement of comprehensive income

For the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Revenue	4	**22,066**	20,852
Cost of sales		**(13,768)**	(13,268)
Gross profit		**8,298**	7,584
Administrative expenses		**(5,928)**	(5,482)
Operating profit		**2,370**	2,102
Total operating profit – analysed:			
Operating profit before non-recurring costs, depreciation and amortisation		**4,591**	4,043
Share-based payments		**(3)**	(7)
Depreciation of tangible fixed assets		**(49)**	(34)
Impairment of intangible assets		**—**	(2)
Amortisation of intangible fixed assets		**(2,169)**	(1,898)
Total operating profit		**2,370**	2,102
Finance costs	7	**(233)**	(257)
Profit before income tax		**2,137**	1,845
Income tax expense	10	**(603)**	(515)
Profit for the year		**1,534**	1,330
Other comprehensive income		**—**	—
Total comprehensive income		**1,534**	1,330

	Note	2015 £'000	Restated 2014 £'000
Earnings per share			
Basic earnings	24	**6.90p**	6.17p
Diluted earnings	24	**6.49p**	5.67p

All amounts relate to continuing operations. The notes on pages 24 to 42 form part of these financial statements.

Statement of financial position

As at 31 March 2015

	Note	31 March 2015 £'000	31 March 2014 £'000
Assets			
Non-current assets			
Intangible assets	12	**14,874**	15,018
Property, plant and equipment	13	**82**	79
Deferred income tax	14	**145**	115
		15,101	15,212
Current assets			
Inventories	15	**4**	4
Trade and other receivables	16	**2,198**	2,332
Cash and cash equivalents		**2,094**	3,777
		4,296	6,113
Total assets		**19,397**	21,325
Current liabilities			
Trade and other payables	17	**3,165**	3,854
Income tax		**324**	29
Short-term borrowings		**538**	1,206
		4,027	5,089
Non-current liabilities			
Long-term borrowings	18	**3,095**	5,533
Total liabilities		**7,122**	10,622
Net assets		**12,275**	10,703
Equity attributable to equity holders			
Share capital	19	**2,230**	2,194
Share premium		**335**	189
Retained earnings		**9,710**	8,320
Total equity		**12,275**	10,703

The financial statements were approved and authorised for issue by the Board on 10 July 2015 and signed on its behalf.

I Fishwick

Ian Fishwick
Director

The notes on pages 24 to 42 form part of these financial statements.

Registered number 4682431

Statement of changes in equity

For the year ended 31 March 2015

	Attributable to equity holders					
	Share capital £'000	Share premium £'000	Share option reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Equity at 1 April 2013	2,107	—	150	—	7,490	9,747
Profit for the year	—	—	—	—	1,330	1,330
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	1,330	1,330
Dividend	—	—	—	—	(662)	(662)
Deferred tax asset adjustment	—	—	—	—	5	5
Share-based payments	—	—	(78)	—	85	7
Issue of share capital	87	189	—	—	—	276
Equity at 1 April 2014	2,194	189	72	—	8,248	10,703
Profit for the year	—	—	—	—	1,534	1,534
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	1,534	1,534
Deferred tax asset adjustment	—	—	—	—	23	23
Share-based payments	—	—	(14)	—	17	3
Issue of share capital	48	146	—	—	—	194
Shares repurchased and cancelled	(12)	—	—	12	(182)	(182)
Equity at 31 March 2015	**2,230**	**335**	**58**	**12**	**9,640**	**12,275**

The notes on pages 24 to 42 form part of these financial statements.

Statement of cash flows

For the year ended 31 March 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Profit before income tax	**2,137**	1,845
Depreciation and amortisation	**2,218**	1,934
Share-based payments	**3**	7
Net finance costs	**233**	257
Operating cash flows before movements in working capital	**4,591**	4,043
Decrease in inventories	**—**	—
Decrease/(increase) in trade and other receivables	**76**	(269)
Increase in trade and other payables	**153**	201
Cash generated from operations	**4,820**	3,975
Income taxes paid	**(315)**	(1,149)
Net cash from operating activities	**4,505**	2,826
Cash flows from investing activities		
Interest paid	**(175)**	(244)
Acquisitions	**(2,152)**	(2,176)
Purchase of intangible assets	**(11)**	(14)
Purchase of property, plant and equipment	**(52)**	(63)
Net cash used in investing activities	**(2,390)**	(2,497)
Cash flows from financing activities		
Dividends paid	**(660)**	(318)
Share capital issued	**194**	276
Payments made for share repurchases	**(182)**	—
Increase in bank loan	**2,250**	3,100
Repayment of borrowings	**(5,399)**	(1,250)
Net cash from financing activities	**(3,797)**	1,808
Net increase/(decrease) in cash and cash equivalents	**(1,682)**	2,138
Cash and cash equivalents at beginning of year	**3,777**	1,639
Cash and cash equivalents at end of year	**2,095**	3,777
Cash and cash equivalents		
Cash at bank and in hand	**2,095**	3,777
Bank overdrafts	**—**	—
Cash and cash equivalents	**2,095**	3,777

The notes on pages 24 to 42 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2015

1. Nature of operations and general information

AdEPT Telecom plc is one of the UK's leading independent providers of voice and data telecommunication services with award-winning customer service. The Company is focused on delivering a complete telecommunications service for small and medium-sized business customers with a targeted product range including landline calls, line rental, broadband, mobile and data connectivity services.

AdEPT Telecom plc is incorporated under the Companies Act, domiciled in the UK and the registered office is located at One London Wall, London EC2Y 5AB. The Company's shares are listed on AIM of the London Stock Exchange.

2. Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable IFRS as adopted by the EU.

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The Company's available banking facilities are described in Note 25 to the financial statements. The Company has adequate financing arrangements which can be utilised by the Company as required. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Consolidated accounts have not been prepared as all subsidiaries of the Company have no assets or liabilities, therefore the financial statements of the Company are the same as those of the consolidated group. The following is a list of those subsidiaries which form part of the group but are dormant and therefore not consolidated:

- Bluecherry Telecom Limited (company no. 06661541).

At the date of authorisation of these financial statements, the directors have considered the standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU) and only IFRS 15 "Revenue from Contracts with Customers" was considered to be relevant. It is not clear whether the application of IFRS 15 once effective will have a material impact on the results of the Company. Adoption of the other standards and interpretations are not expected to have a material impact on the results of the Company. Application of these standards may result in some changes in presentation of information within the Company's financial statements.

The financial statements are presented in sterling which is the Company's functional and presentation currency. The figures shown in the financial statements are rounded to the nearest thousand pounds.

Segmental reporting

The directors have considered the requirements of IFRS 8 "Operating Segments" and have concluded that the Company has two segments. For further information see Note 4 of the financial statements.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured.

Revenue from calls, which excludes value added tax and trade discounts, is recognised in the income statement at the time the call is made. Calls made in the year, but not billed by year end, are accrued within receivables as accrued income.

Revenue from line rental is recognised in the month that the charge relates to, commencing with a full month's charge in the month of connection. Revenue and related costs from the sales of mobile handsets are recognised at the date of supply or connection.

Revenue arising from the provision of internet and other services is recognised evenly over the periods in which the service is provided to the customer.

Connection commissions received from mobile network operators are recognised when the customer is connected to the mobile network after providing for expected future clawbacks.

The whole of the revenue is attributable to the provision of voice and data telecommunication services to both residential and business customers. All revenue arose within the United Kingdom.

2. Accounting policies continued

Intangible fixed assets acquired as part of a business combination and amortisation
In accordance with IFRS 3 "Business Combinations", an intangible asset acquired in a business combination is deemed to have a cost to the Company of its fair value at the acquisition date. The Company calculates the fair value of the intangible asset in relation to customer base acquisitions as the cost to the Company at the date of acquisition. The intangible asset value reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Company.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Impairment reviews are conducted annually from the first anniversary following acquisition.

The intangible asset 'customer base' is amortised to the income statement over its estimated useful economic life on a straight line basis. The average useful economic life of all the customer bases has been estimated at 14 years (2014: 14 years) with a range of seven to 16 years.

Other intangible assets
Also included within intangible fixed assets are the development costs of the Company's billing and customer management system plus an individual licence. These other intangible assets are stated at cost, less amortisation and any provision for impairment. Amortisation is provided at rates calculated to write off the cost, less estimated residual value of each intangible asset, over its expected useful economic life on the following bases:

Customer management system	– Three years straight line
Other licences	– Contract licence period
Computer software	– Three years straight line

Property, plant and equipment and depreciation
Property, plant and equipment are stated at cost, less depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value of each asset, over its expected useful life on the following bases:

Short-term leasehold improvements	– The shorter of five years and the remaining period of the lease
Fixtures and fittings	– Three years straight line
Office equipment	– Three years straight line
Motor vehicles	– Four years straight line

Inventories
Inventories are valued at the lower of cost and net realisable value after making allowance for any obsolete or slow moving items. Net realisable value is reviewed regularly to ensure accurate carrying values. Cost is determined on a first-in-first-out basis and includes transportation and handling costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Pensions
The Company contributes to personal pension plans. The amount charged to the income statement in respect of pension costs is the contribution payable in the year.

Income tax
Income tax is the tax currently payable based on taxable profit for the year.

Deferred income tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred income tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred income tax liabilities are provided in full, with no discounting. Deferred income tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred income tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred income tax assets or liabilities are recognised as a component of income tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred income tax is also charged or credited directly to equity.

Notes to the financial statements continued

For the year ended 31 March 2015

2. Accounting policies continued

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 appraised at the grant date and excludes the impact on non-market vesting conditions such as profitability and sales growth targets, 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, the cumulative expense (as above) 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, the 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.

Non-recurring items

Material and non-recurring items of income and expense are separated out in the income statement. Examples of items which may give rise to disclosure as non-recurring items include costs of restructuring and reorganisation of existing businesses, integration of newly acquired businesses and asset impairments. Non-recurring costs include the current year expense charged to the income statement in relation to restructuring which has taken place since the year end to derive the underlying profitability of the Company.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Share buybacks

The Company has returned surplus cash to shareholders through a limited share buyback scheme pursuant to the authority given to it at the annual general meeting. Shares purchased for cancellation are deducted from retained earnings at the total consideration paid or payable. The Company will continue to monitor the level of cash required for the business and determine if further repurchases remain in the shareholders' best interests.

Financial instruments

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

The Company has previously made use of derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. These derivative financial instruments have been settled in prior periods and there are none in place at the balance sheet date. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value, i.e. cost. Subsequent to initial recognition derivative financial instruments are measured at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement as a component of financing income or cost.

The fair value of the derivative financial instrument is the estimated amount that the Company would receive or pay to terminate the instrument at the balance sheet date, taking into account current interest rates and the current creditworthiness of the instrument counterparties.

Capital

The capital structure of the Company consists of debt, which includes the borrowings disclosed in Notes 18 and 25, cash and cash equivalents, and equity attributable to equity holders, comprising issued capital, reserves and retained earnings.

Borrowings and borrowing costs

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs are expensed to the income statement as incurred with the exception of arrangement fees which are deducted from the related liability and are released over the term of the related liability in accordance with IAS 39.

3. Critical accounting estimates and judgements

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities with the next financial year, are discussed below.

Key sources of estimation and uncertainty are:

- measuring the fair value of customer bases on acquisition;
- subsequent impairment of customer bases; and
- receivables.

Impairment of intangible assets

The Company determines whether intangible assets are impaired on at least an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the intangible value is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The main estimates used to measure the fair value of the customer bases on acquisition and to conduct the impairment review are:

- the churn rate (turnover of customers);
- discount rate; and
- gross margins.

Churn rates ranging between 1.8% and 19.3% are based upon actual historical churn rates of the revenue stream for each customer base.

The discount rate of 6.6% used to discount the cash flows is based upon the Company's weighted average cost of capital (WACC), which is the recommended discount rate suggested by International Financial Reporting Standards and is a calculated figure using actual input variables where available and applying estimates for those which are not, such as the equity market premium.

Gross margins of 45.3% are based upon actual margins achieved in previous years. The actual outcomes have been materially equivalent.

The calculations are sensitive to any movement in the discount rate, margin or churn rate and would therefore result in an impairment charge to the income statement. A 1% change to the discount rate, gross margin and churn rate would result in additional impairment charges of £Nil, £Nil and £12,500 respectively.

More details, including carrying values, are included in Note 12.

Allowance for impairment of receivables

Management reviews are performed to estimate the level of provision required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain. Further information on the receivables allowance account is given in Note 16.

Notes to the financial statements continued

For the year ended 31 March 2015

4. Segmental information

IFRS 8 "Operating Segments" requires identification on the basis of internal reporting about components of the Company that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance.

The chief operating decision maker has been identified as the Board. The Board reviews the Company's internal reporting in order to assess performance and allocate resources. The operating segments are fixed line services and data, mobile and other services which are reported in a manner consistent with the internal reporting to the Board. The Board assesses the performance of the operating segments based on revenue, gross profit and EBITDA.

	Year ended 31 March 2015				Year ended 31 March 2014			
£'000	Fixed line services	Data, inbound, mobile and other services	Central costs	Total	Fixed line services	Data, inbound, mobile and other services	Central costs	Total
Revenue	16,026	6,040	—	22,066	15,705	5,147	—	20,852
Gross profit	6,160	2,138	—	8,298	6,016	1,568	—	7,584
Gross margin %	38.4%	35.4%	—	37.6%	38.3%	30.5%	—	36.4%
EBITDA	3,411	1,180	—	4,591	3,318	725	—	4,043
EBITDA %	21.3%	19.5%	—	20.8%	21.1%	14.1%	—	19.4%
Amortisation	(2,169)	—	—	(2,169)	(1,898)	—	—	(1,898)
Impairment charge	—	—	—	—	(2)	—	—	(2)
Depreciation	—	—	(49)	(49)	—	—	(34)	(34)
Share-based payments	—	—	(3)	(3)	—	—	(7)	(7)
Operating profit/(loss)	1,242	1,180	(52)	2,370	1,418	725	(41)	2,102
Finance costs	—	—	(233)	(233)	—	—	(257)	(257)
Income tax	—	—	(603)	(603)	—	—	(515)	(515)
Profit/(loss) after tax	1,242	1,180	(888)	1,534	1,418	725	(813)	1,330

The assets and liabilities relating to the above segments have not been disclosed as they are not separately identifiable and are not used by the chief operating decision maker to allocate resources. All segments are in the UK and all revenue relates to the UK.

Transactions with the largest customer of the Company are less than 10% of total turnover and do not require disclosure for either 2014 or 2015.

5. Operating profit

The operating profit is stated after charging:

	2015 £'000	2014 £'000
Amortisation of customer base, billing system and licence	2,169	1,900
Depreciation of tangible fixed assets:		
– owned by the Company	49	34
Share option expense	3	7
Minimum operating lease payments:		
– land and buildings	171	172
– motor vehicles and other equipment	42	46

6. Auditors remuneration

	2015 £'000	2014 £'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	**33**	32
Fees payable to the Company's auditors and their associates in respect of:		
– other services relating to taxation	**6**	6

7. Finance costs

	2015 £'000	2014 £'000
On bank loans and overdrafts	**174**	244
Bank fees	**59**	75
Other interest payable	**—**	(62)
	233	257

Included within interest is £Nil (2014: £62,184) which relates to the movement in the fair value of the interest rate swap liability as calculated in accordance with IAS 39.

8. Employee costs

Staff costs, including directors' remuneration, were as follows:

	2015 £'000	2014 £'000
Wages and salaries	**1,884**	1,808
Social security costs	**243**	237
Share option expense	**3**	7
Other pension costs	**22**	18
	2,152	2,070

The average monthly number of employees, including the directors, during the year was as follows:

	2015 Number	2014 Number
Non-executive directors	**3**	3
Administrative staff	**43**	44
	46	47

Key management personnel

The directors are considered to be the key management personnel of the Company, having authority and responsibility for planning, directing and controlling the activities of the Company.

Notes to the financial statements continued

For the year ended 31 March 2015

9. Directors' emoluments

	Short-term employee benefits			Post-employment benefits		
	Salary and fees paid or receivable £	Bonus paid or receivable £	Other benefits £	Pension contributions £	**Total 2015 £**	Total 2014 £
R Wilson	43,258	—	6,778	—	**50,036**	47,936
C Fishwick	15,000	—	—	—	**15,000**	15,000
D Lukic	20,876	—	6,619	—	**27,495**	25,025
I Fishwick	207,050	62,500	3,343	15,648	**288,541**	252,163
A Woodruffe	141,020	26,713	2,337	—	**170,070**	160,902
J Murphy	90,000	28,284	14,436	—	**132,720**	120,140
J Swaite	82,500	26,712	6,482	—	**115,694**	105,182
Total	**599,704**	**144,209**	**39,995**	**15,648**	**799,556**	**726,348**

During the year retirement benefits were accruing to one director (2014: one) in respect of money purchase pension schemes. The value of the Company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £15,648 (2014: £12,463). During the year there were no share option transactions in respect of the highest paid director (2014: 752,160 shares options exercised with an aggregate gain of £829,642).

The share option expense recognised during the year in respect of the directors was £2,789 (2014: £6,702). The aggregate amount of gains made by directors on the exercise of share options was £405,400 (2014: £942,742). There were three directors (2014: two) who exercised share options during the year.

Directors' share options

	Option scheme	Options at 1 April 2014	Awarded in year	Options exercised	Options lapsed	**Options at 31 March 2015**	Option price	Date of grant
A Woodruffe	EMI	67,948	—	(67,948)	—	**—**	42p	1 August 2008
A Woodruffe	Unapproved	62,051	—	(62,051)	—	**—**	42p	1 August 2008
A Woodruffe	EMI	86,420	—	(86,420)	—	**—**	40p	29 August 2011
A Woodruffe	Unapproved	113,580	—	(113,580)	—	**—**	40p	29 August 2011
J Swaite	EMI	75,000	—	(75,000)	—	**—**	40p	29 August 2011
J Murphy	EMI	75,000	—	(75,000)	—	**—**	40p	29 August 2011
A Woodruffe	EMI	171,708	—	—	—	**171,708**	52p	13 November 2012
J Swaite	EMI	25,000	—	—	—	**25,000**	52p	13 November 2012
J Murphy	EMI	25,000	—	—	—	**25,000**	52p	13 November 2012

10. Income tax expense

	2015 £'000	2014 £'000
Current tax		
UK corporation tax on profit for the year	637	465
Adjustments in respect of prior periods	3	35
Total current tax	640	500
Deferred tax		
Origination and reversal of timing differences	(30)	15
Effect of tax rate change on opening balance	—	19
Adjustments in respect of prior periods	(7)	(19)
Total deferred tax (see Note 14)	(37)	15
Total income tax expense	603	515

Factors affecting tax charge for year
The relationship between expected tax expense based on the effective tax rate of AdEPT at 21% (2014: 23%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2015 £'000	2014 £'000
Profit before income tax	2,137	1,845
Tax rate	21%	23%
Expected tax charge	449	425
Expenses not deductible for tax purposes	33	25
Amortisation not deductible for tax purposes	253	233
Change in deferred tax rate	—	19
Adjustments to tax charge in respect of prior periods	(5)	17
Short-term timing differences	—	4
Financial liabilities movement	—	(14)
Share options	(32)	(9)
Share option relief	(95)	(185)
Actual tax expense net	603	515

There were no material factors that may affect future tax charges.

11. Dividends

On 25 September 2014 the directors approved an interim dividend of 2.25p per ordinary share (2014: 1.50p), which was paid to shareholders on 10 April 2015. On 26 March 2015 the directors declared a final dividend, subject to shareholder approval at the 2015 annual general meeting, of 2.50p per ordinary share (2014: 1.50p). Total dividends declared during the year will absorb £1,054,001 of shareholders' funds in future periods (2014: total £661,710).

Notes to the financial statements continued

For the year ended 31 March 2015

12. Intangible fixed assets

	Licence £'000	Computer software £'000	Customer base £'000	Total £'000
Cost				
At 1 April 2013	26	1,026	27,771	28,823
Additions	—	14	2,289	2,303
At 1 April 2014	26	1,040	30,060	31,126
Additions	—	40	1,985	2,025
At 31 March 2015	**26**	**1,080**	**32,045**	**33,151**
Amortisation				
At 1 April 2013	20	911	13,277	14,208
Charge for the year	2	61	1,835	1,898
Impairment charge	—	—	2	2
At 1 April 2014	22	972	15,114	16,108
Charge for the year	3	56	2,110	2,169
Impairment charge	—	—	—	—
At 31 March 2015	**25**	**1,028**	**17,224**	**18,277**
Net book value				
At 31 March 2015	**1**	**52**	**14,821**	**14,874**
At 31 March 2014	4	68	14,946	15,018

Intangible assets are reviewed annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The net present value of cash flows for each cash-generating unit is reviewed against the carrying value at the balance sheet date. At the final reporting date of 31 March 2015 the net present value of future cash flows of certain cash-generating units indicated that the carrying value was correct and the directors considered it was not appropriate to record an impairment charge (2014: £2,282) or adjust the economic lives of the respective cash-generating units appropriately.

Included within intangible asset additions is £200,000 (2014: £368,061) being the amount due in respect of contingent consideration for acquisitions undertaken in the current year.

The Company has no internally generated intangible assets.

13. Property, plant and equipment

	Motor vehicles £'000	Short-term leasehold improvements £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost					
At 1 April 2013	—	7	137	239	383
Additions	25	—	—	42	67
Disposals	—	—	—	(4)	(4)
At 1 April 2014	25	7	137	277	446
Additions	—	—	2	50	52
At 31 March 2015	**25**	**7**	**139**	**327**	**498**
Depreciation					
At 1 April 2013	—	7	127	199	333
Charge for the year	3	—	4	27	34
At 1 April 2014	3	7	131	226	367
Charge for the year	6	—	4	39	49
At 31 March 2015	**9**	**7**	**135**	**265**	**416**
Net book value					
At 31 March 2015	**16**	**—**	**4**	**62**	**82**
At 31 March 2014	22	—	6	51	79

14. Deferred taxation

	2015 £'000	2014 £'000
At 1 April 2014	**115**	124
Income statement credit/(charge)	**7**	(14)
Movement in deferred tax on share options	**23**	5
At 31 March 2015	**145**	115

The deferred tax asset is made up as follows:

	2015 £'000	2014 £'000
Capital allowances	**26**	29
Short-term timing differences	**17**	9
Share options	**102**	77
	145	115

15. Inventories

	2015 £'000	2014 £'000
Consumables	**4**	4

There is no material difference between the replacement cost of inventories and the amount stated above.

Notes to the financial statements continued

For the year ended 31 March 2015

16. Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	**1,767**	1,912
Other receivables	**12**	7
Prepayments and accrued income	**419**	413
	2,198	2,332

As at 31 March 2015, trade receivables of £131,280 (2014: £113,080) were impaired and fully provided for. The ageing of the trade receivables which are past due and not impaired is as follows:

	2015 £'000	2014 £'000
31–60 days	**111**	93
61–90 days	**3**	1
Over 90 days	**2**	2
	116	96

Movement of the Company provision for impairment of trade receivables is as follows:

	£'000
At 1 April 2013	109
Receivables written off during the year as uncollectable	(82)
Provision for receivables impairment for the year	86
At 1 April 2014	113
Receivables written off during the year as uncollectable	(99)
Provision for receivables impairment for the year	117
At 31 March 2015	**131**

The creation and release of a provision for impaired receivables has been included in administration expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering cash. Management regularly reviews the outstanding receivables and does not consider that any further impairment is required. The other assets classes within trade and other receivables do not contain impaired assets.

17. Trade and other payables

	2015 £'000	2014 £'000
Trade payables	**1,567**	1,492
Other taxes and social security costs	**538**	528
Other payables	**48**	721
Accruals and deferred income	**1,012**	1,113
	3,165	3,854

Included within accruals is £200,000 (2014: £368,061) being the fair value of the contingent consideration in respect of customer bases acquired in the current year. The fair value of the contingent consideration liability was initially determined by reference to the forecast churn rate for the customer base and applying the contingent consideration matrix as specified in the share purchase agreement.

18. Long-term borrowings

	2015 £'000	2014 £'000
Between one and two years	3,095	533
Between two and five years	—	5,000
More than five years	—	—
Bank loans	3,095	5,533

The bank loan is secured by a debenture incorporating a fixed and floating charge over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery. Details of the interest rates applicable to the loans are included in Note 25.

Included within bank loans are arrangement fees amounting to £48,973 (2014: £92,752) which are being released over the term of the loan in accordance with IAS 39.

19. Share capital

	2015 £'000	2014 £'000
Authorised		
65,000,000 ordinary shares of 10p each	6,500	6,500
Allotted, called up and fully paid		
22,297,400 (2014: 21,939,603) ordinary shares of 10p each	2,230	2,194

Movement in shares in issue

	31 March 2015	31 March 2014
Ordinary shares of 10p each	21,939,603	21,067,443
Issued under share option schemes	480,000	872,160
Share repurchased and cancelled	(122,203)	—
	22,297,400	21,939,603

Share buyback scheme

On 18 December 2014 the Company announced that it intended to commence a limited share buyback of its own ordinary shares. During the year ended 31 March 2015 the Company repurchased 122,203 shares at an average price of 148.9p. All share repurchased by the Company were cancelled prior to the year end.

Notes to the financial statements continued

For the year ended 31 March 2015

19. Share capital continued

Share options

At 31 March 2015, the following options and warrants over the shares of AdEPT were in issue:

	2015		2014	
	Number of shares under option	Weighted average exercise price	Number of shares under option	Weighted average exercise price
Outstanding at 1 April	**1,955,668**	**27p**	3,271,353	42p
Granted during the year	**32,143**	**126p**	—	—
Forfeited during the year	**(67,052)**	**73p**	(443,525)	134p
Exercised during the year	**(480,000)**	**41p**	(872,160)	32p
Outstanding at 31 March	**1,440,759**	**20p**	1,955,668	27p

The weighted average share price at date of exercise for options exercised during the year was 126.6p (2014: 141.1p).

The weighted average remaining contractual life of share options and warrants at 31 March 2015 was 4.5 years.

Employee share option schemes have a vesting period of three years and are settled through new equity issues in return for cash consideration and the maximum term of share options is ten years.

The weighted average fair values of options issued during the year have been determined using the Black-Scholes-Merton Pricing Model with the following assumptions and inputs:

	2015	2014
Risk-free interest rate	**2.69%**	—
Expected volatility	**3.0%**	—
Expected option life (years)	**3.0**	—
Expected dividend yield	**2.0%**	—
Weighted average share price	**126p**	—
Weighted average exercise price	**140p**	—
Weighted average fair value of options granted	**0p**	—

The expected average volatility was determined by reviewing the last 100 historical fluctuations in the share price prior to the grant date of each share instrument. An expected take-up of 100% has been applied to each share instrument. Expected dividend yield is estimated at 2.0%; this is based upon the past dividend yield of AdEPT Telecom plc and in accordance with the guidance in IFRS 2.

	Exercise price (p)	Expected option life (years)	31 March 2015	31 March 2014
15 February 2006	140	1.25–2.25	**—**	59,196
1 August 2008	42	3.0	**—**	130,000
21 January 2009	11	3.0	**1,186,908**	1,194,764
29 August 2011	40	3.0	**—**	350,000
13 November 2012	52	3.0	**221,708**	221,708
23 August 2013	126	3.0	**32,143**	—
			1,440,759	1,955,668

During the year ended 31 March 2009 a warrant was issued to Barclays Bank plc over 5% of the diluted share capital of the Company. As at 31 March 2015 this entitled the holder to 1,186,908 shares. The weighted average fair value of this equity instrument of £54,422 has been determined using the Black-Scholes-Merton Pricing Model, applying the same assumptions as those applied to the other equity instruments issued during the period due to Barclays Bank plc being unable to provide a sufficiently reliable estimate of the value of services provided in relation to these warrants.

The mid-market price of the ordinary shares on 31 March 2015 was 141p and the range during the year was 50p.

20. Pension commitments
At 31 March 2015 there were no pension commitments (2014: £Nil).

21. Operating lease commitments
At 31 March 2015 the Company had lease commitments as follows:

	Land and buildings		Other	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Within one year	**165**	165	**45**	38
Between two and five years	**357**	522	**28**	44

Land and buildings
The Company leases its offices under non-cancellable operating lease agreements. There is no material contingent rent payable. The lease agreements do not offer security of tenure. The lease terms are for five years.

Other
The Company leases various office equipment and motor vehicles under non-cancellable operating lease agreements. The lease terms are three years.

The lease expenditure charged to the income statement during the year is disclosed in Note 5.

22. Related party transactions
During the year CKR Holdings Limited and Rykesh Limited, companies controlled by Chris Fishwick, a director, provided consultancy services to the Company in the normal course of business with a total value of £85,000 (2014: £85,000). There was no balance owed to CKR Holdings Limited or Rykesh Limited at the end of the year (2014: £Nil).

At the year end dividends payable were owed to the following directors:

	2015 £	2014 £
C Fishwick	**145**	193
I Fishwick	**27**	45
R Wilson	**18**	24
D Lukic	**2**	3
A Woodruffe	**4**	2
J Swaite	**1**	–
J Murphy	**1**	–

There is no ultimate controlling party.

23. Capital commitments
At 31 March 2015 there were capital commitments of £Nil (2014: £Nil).

Notes to the financial statements continued

For the year ended 31 March 2015

24. Earnings per share

Earnings per share is calculated on the basis of a profit of £1,534,128 (2014: £1,330,256) divided by the weighted average number of shares in issue for the year of 22,219,140 (2014: 21,551,563). The diluted earnings per share is calculated on the treasury stock method and the assumption that the weighted average unapproved and EMI share options outstanding during the period are exercised. This would give rise to a total weighted average number of ordinary shares in issue for the period of 23,649,870 (2014: 23,463,604).

An adjusted earnings per share is calculated by adding back amortisation of intangible assets and non-recurring costs to retained earnings, giving £3,501,438 (2014: £3,044,908). This is divided by the same weighted average number of shares as above.

	2015 £'000	Restated 2014 £'000
Earnings for the purposes of basic and diluted earnings per share		
Profit for the period attributable to equity holders	**1,534**	1,330
Add: amortisation	**2,169**	1,900
Less: taxation on amortisation of purchased customer contracts	**(202)**	(185)
Adjusted profit attributable to equity holders, adding back amortisation	**3,501**	3,045
Number of shares		
Weighted average number of shares used for earnings per share	**22,219,140**	21,551,563
Weighted average dilutive effect of share plans	**1,430,730**	1,912,041
Diluted weighted average number of shares	**23,649,870**	23,463,604
Earnings per share		
Basic earnings per share	**6.90p**	6.17p
Diluted earnings per share	**6.49p**	5.67p
Adjusted earnings per share, after adding back amortisation		
Adjusted basic earnings per share	**15.76p**	14.13p
Adjusted diluted earnings per share	**14.81p**	12.98p

Earnings per share is calculated by dividing the retained earnings attributable to the equity holders by the weighted average number of ordinary shares in issue.

Adjusted earnings per share is calculated by dividing the retained earnings attributable to the equity holders (after adding back amortisation and non-recurring costs) by the weighted average number of ordinary shares in issue.

Earnings per share for the prior year has been restated to take into account the impact of the taxation deduction on purchased customer contracts for which the amortisation was already included in the calculation of the adjusted profit attributable to equity holders and to apply the treasury stock method of calculation.

25. Financial instruments

Set out below are the Company's financial instruments. The directors consider there to be no difference between the carrying value and fair value of the Company's financial instruments.

	2015 £'000	2014 £'000
Loans and receivables at amortised cost		
Cash and cash equivalents	**2,094**	3,777
Loans and receivables	**1,767**	1,911
Financial liabilities at amortised cost		
Liabilities at amortised cost	**5,200**	8,230
	5,200	8,230
Amounts due for settlement		
Within twelve months	**2,105**	2,697
After twelve months	**3,095**	5,533
	5,200	8,230

The Facility A term loan bears interest at 2.25–3.5% over LIBOR, dependent upon the EBITA: Net debt ratchet, and is repayable by quarterly instalments of £312,500, with the final repayment due on 30 September 2015. At the year end the amount outstanding in respect of this facility was £0.582m.

The Facility B loan allows a maximum of £5m to be drawn and bears interest at 2.75% over LIBOR and is repayable in full on the final repayment date of 13 October 2016. At the year end the amount outstanding in respect of Facility B was £3.1m and is included within long-term borrowings.

The financial assets of the Company are cash and cash equivalents, and trade and other receivables, which are offset against borrowings under the facility, and there is no separate interest rate exposure.

Barclays Bank plc has a cross guarantee and debenture incorporating a fixed and floating charge over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.

The bank also holds a charge over the life assurance policies of Ian Fishwick and Amanda Woodruffe, directors of the Company, for £1,500,000 and £250,000 respectively.

Contingent consideration obligations

At 31 March 2015 a financial liability of £200,000 has been recognised in respect of the fair value of the contingent consideration due in respect of acquisitions (2014: £368,061).

Financial assets/ financial liabilities	Fair value as at 31 March 2014	Fair value as at 31 March 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
7) Contingent consideration in a business combination	£Nil	**£200,000**	Level 3	The contingent consideration was based upon a multiple of gross margin calculated by the churn rate over a period of twelve months and subject to a minimum earn out of £200,000 and a maximum of £750,000 due for payment by 30 April 2015.	Churn rate being the gross margin reduction as measured by actual reduction of gross margin over a twelve month period. Gross margin based upon actual gross margins achieved.	The higher the churn rate the lower the multiple. The higher the gross margin the higher the earn out.

The earn out had not been achieved by 31 March 2015. On 16 April 2015 an amount of £200,000 was paid. Therefore the fair value of the contingent consideration was considered to be £200,000.

Obligations under finance leases

As at 31 March 2015 the Company had no finance lease obligations.

Notes to the financial statements continued

For the year ended 31 March 2015

25. Financial instruments continued

Sensitivity analysis

At 31 March 2015 it was estimated that a movement of 1% in interest rates would impact the Company's profit before tax by approximately £51,000.

Interest rate risk

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Company's current interest rate policy is to keep no minimum percentage of its borrowings at fixed rates of interest. This policy is subject to ongoing review in line with the level of borrowings and potential interest risk exposure. At 31 March 2015, after taking into account the effect of interest rate management, none of the Company's borrowings are at a fixed rate of interest (2014: 0%).

Credit risk

Credit risk associated with cash balances and derivative financial instruments is managed by transacting with financial institutions with high quality credit ratings. Accordingly the Company's associated credit risk is deemed to be limited.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 March 2015 was £3,873,300 (2014: £5,695,239).

Loans and receivables

	2015 £'000	2014 £'000
Trade receivables	1,767	1,911
Other receivables	12	7
Cash and cash equivalents	2,095	3,777
	3,874	5,695

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and this policy has been implemented by requiring staff to carry out appropriate credit checks on customers before sales commence.

Trade receivables consist of a large number of customers, spread across diverse industries across the United Kingdom. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Company does not have any significant credit risk exposure to any single counterparty.

Liquidity risk

The Company has an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity risk management requirements. The Company manages liquidity risk by maintaining adequate banking facilities and through cash flow forecasting, acquisition planning and monitoring working capital and capital expenditure requirements on an ongoing basis.

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet dated to the contractual maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows. Discounting is not required as this has no material effect on the financial statements.

Amortised cost

Year ended 31 March 2015	Within 1 year £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Borrowings	538	3,095	—	—
Trade and other payables	1,567	—	—	—
	2,105	3,095	—	—

Year ended 31 March 2014	Within 1 year £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Borrowings	1,206	533	5,000	—
Trade and other payables	1,491	—	—	—
	2,697	533	5,000	—

25. Financial instruments continued

Currency risk

The Company's operations are handled entirely in sterling.

Capital risk management

The Company is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes to the Company's approach to capital management during the year.

As part of the banking arrangements, the Company is required to comply with certain covenants including net debt to adjusted EBITA, interest cover and cash flow cover.

In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or sell assets to reduce debt.

26. Business combinations

On 1 April 2014 the Company acquired the entire issued share capital of Bluecherry Telecom Limited for an initial consideration of £1.8m plus the value of the net assets at completion (amounting to £0.28m and being represented by cash), which was paid in cash during the year ended 31 March 2015. Further consideration of £0.2m was paid post-year end in April 2015, also in cash, in relation to the performance of the contracts post-acquisition. The fair value of the contingent consideration liability was determined by reference to the forecast churn rate for the customer base and applying the contingent consideration matrix as specified in the share purchase agreement. The fair value of the liability is the actual value of contingent consideration paid in April 2015. Total consideration was £2.01m.

Bluecherry Telecom Limited, based in Milton Keynes, was a supplier of fixed line calls, line rental and data connectivity products to small and medium-sized businesses. The acquisition formed part of the Company's strategy as the acquired customer base complements that of AdEPT and provides cross-selling opportunities.

	Book cost £'000	Fair value £'000
Intangible asset	—	2,014
Cash	285	285
Other payables	(7)	(285)
Net assets	**278**	**2,014**
Cash		(1,814)
Contingent cash consideration		(200)
Fair value total consideration		(2,014)
Goodwill		**—**

A fair value of £2.01m in relation to the customer contracts for the acquired business has been recognised as intangible asset additions in the year ended 31 March 2015. The intangible assets, being represented by the customer base, were hived up to AdEPT immediately upon acquisition. No other assets or liabilities were acquired.

Management of the customer contracts was transferred to AdEPT's office in Tunbridge Wells, Kent during April 2014. Acquisition related costs of £21,228 have been recognised as an expense in the statement of comprehensive income for the year ended 31 March 2015. The customer base acquired from Bluecherry Telecom Limited contributed revenue and profit of £1.2m and £0.4m respectively for the year ended 31 March 2015 and represents a full year contribution.

Notes to the financial statements continued

For the year ended 31 March 2015

27. Events after the balance sheet date

On 1 May 2015 the Company acquired the entire issued share capital of Centrix Limited ('Centrix') for an initial consideration of £7m plus the value of the cash balance of Centrix at completion (approximately £1.9m), payable in cash. Further consideration of between £Nil and £3.5m will be payable, also in cash, dependent upon performance of Centrix post-acquisition. The fair value of contingent deferred consideration has been initially determined by reference to the forecast churn/growth rate for the gross margin of the acquired business and applying the deferred consideration matrix as specified in the share purchase agreement. The fair value of the contingent consideration liability is an estimate, as there have been limited post-acquisition period financial results upon which to determine the contingent consideration.

Centrix, based in Hook, is a well-established UK-based specialist provider of complex unified communications, Avaya IP telephony, hosted IP solutions and managed services. Centrix offers its clients the delivery of complex unified communications and managed service solutions, which is an increasing requisite for AdEPT's existing and targeted enterprise and public sector customer base. Centrix's skills and product set will complement and enhance AdEPT's existing services. Approximately 80% of Centrix revenue is generated from recurring revenue streams.

AdEPT and Centrix have both adopted capital asset light strategies and are dedicated to offering a full suite of flexible data and unified communication strategies.

	Book cost £'000	Fair value £'000
Intangible asset	—	9,791
Property, plant and equipment	109	109
Inventories	59	59
Trade and other receivables	1,420	1,247
Cash and cash equivalents	2,063	2,063
Trade and other payables	(2,104)	(2,102)
Income tax	(147)	(147)
Net assets	**1,400**	**11,020**
Cash		(8,920)
Contingent cash consideration		(2,100)
Fair value total consideration		(11,020)
Goodwill		**—**

Centrix will retain its current presence and customer service operation in Hook, Hampshire. The vendors of Centrix are to be retained in their current capacity within the business for a period of at least twelve months post-acquisition.

The audited accounts of Centrix for the year ended 31 December 2014 reported turnover, operating profit and profit before tax of £8.75m, £2.26m and £2.26m respectively. Capital expenditure in the year ended 31 December 2014 was insignificant. Net and gross assets at that date were £0.83m and £2.80m respectively. Acquisition related costs of £0.50m will be recognised as an expense in the statement of comprehensive income for the year ending 31 March 2016.

New bank facility

On 22 April 2015 the Company signed a new five year £15m revolving credit facility agreement with Barclays Bank plc. This longer-term facility replaced the previous £5m revolving credit facility, which had an 18 month term remaining, and the term loan which was due for repayment by September 2015. The new revolving credit facility bears interest at 2.30% over LIBOR on drawn funds and is repayable in full on the final repayment date of 21 April 2020.

As part of the new facility agreement Barclays Bank plc has been issued a new cross guarantee and debenture incorporating a fixed and floating charge over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.

The bank also continues to hold a charge over the life assurance policies of Ian Fishwick and Amanda Woodruffe, directors of the Company, for £1,500,000 and £250,000 respectively.

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Glossary

21CN	The 21st Century Network programme is BT's network transformation project to move its telephone network from the PSTN to an IP system
ADSL	Asymmetric digital subscriber line technology enables data transmission over existing copper wiring at data rates several hundred times faster than analogue modems, providing for simultaneous delivery of voice, video and data
CCS framework	Crown Commercial Service framework
Churn	The turnover rate of revenue for customers either joining or leaving a service over a particular time
The Company	AdEPT telecom plc
Companies Act	Companies Act 2006
DSL	Digital subscriber line services are a family of wide-area technologies that are used to transmit digital data over telephone lines
EBITDA	Earnings before interest, taxation, depreciation and amortisation
ECTA	The European Competitive Telecommunications Association
The Group	The Company, its subsidiaries and entities which are joint ventures
IP	Internet protocol is the packet data protocol used for the routing and carriage of messages across the internet and similar networks. IP performs the addressing function and contains some control information to allow packets to be routed through networks
IP telephony	Internet protocol telephony is a term for phone systems that use the internet protocol's packet-switched connections to exchange information rather than the dedicated circuit-switched connections of the public switched telephone network
ISDN	Integrated services digital network is a set of communication standards for simultaneous digital transmission of voice, video, data and other network services over the traditional circuits of the public switched telephone network
ISP	Internet service provider
LIBOR	The London Interbank Offered Rate is the average interest rate estimated by leading banks in London that the average leading bank would be charged if borrowing from other banks
MPLS networks	Multiprotocol label switching is a mechanism in high-performance telecommunications networks that directs data from one network node to the next based on short path labels rather than long network addresses, avoiding complex lookups in a routing table
Operating profit	Profit before finance costs and taxation
Optical Spectrum Services (OSA/OSEA)	Secure, permanently connected, high speed data circuits that use dense wavelength division multiplexing (DWDM) technology over optical fibre links
PSTN	The Public Switched Telephone Network is the world's collection of interconnected voice-oriented public telephone networks, both commercial and government-owned
Single analogue line	The most common form of telephone line, used to service most homes and small businesses
SIP	Session initiation protocol is a signalling protocol for initiating and controlling users' multimedia communication sessions in an IP-based network
Telephony Service Framework (RM1035)	A multi-supplier pan-government framework for the purchase of telephony services
Tier-1 suppliers	The most important members of a supply chain, supplying components directly to the original equipment manufacturer that set up the chain
UK Corporate Governance Code	UK Corporate Governance Code published by the FRC in May 2011
VoIP	Voice over internet protocol

consultancy, design and production by
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design-portfolio.co.uk @WeAre_DP
Design Portfolio plants trees for each of its corporate report projects, in association with Trees for Cities.

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