AdEPT Technology Group Limited
Annual report and accounts 2023

Financial statements

Strategic report

Principal activities and review of business

The principal activity of the Group is the provision of managed services for cloud, digital platforms, unified communications and connectivity solutions to both domestic and business customers.

Revenue and gross margin

Total revenue increased by 2.8% to £70.0m (FY22: £68.1m). The business is split into two primary segments, fixed line (encompassing call revenues and related fixed telephony line provision) and managed services. In respect of managed services versus fixed line revenues, during the year AdEPT has continued to grow its managed services business through organic contract wins.

The revenue and gross margin breakdown is viewed through four strategic revenue streams, where managed services is split into three sub-segments – Cloud Centric Strategic Services, Support Services and Technology Products:

	March 2023		***March 2022***	
£'000s	**Revenue**	**Gross margin**	***Revenue***	***Gross margin***
Cloud Centric Strategic Services	30,682	13,699	*29,512*	*13,214*
Support Services	18,132	13,380	*17,127*	*12,924*
Traditional Telephony	7,043	2,618	*8,582*	*3,199*
Technology Products	14,144	3,392	*12,861*	*3,095*
Total	**70,001**	**33,089**	***68,082***	***32,432***

Cloud Centric Strategic Services - Our strategy is to focus on Cloud Centric Strategic Services (a segment including; data connectivity, hosting services, hybrid and public cloud, cloud telephony and professional services). This clear focus on organic growth delivered a £1.2m year on year increase in revenues to £30.7m (FY22: £29.5m).

Within this segment Professional Services has grown to £6.2m (FY22: £5.1m) which represents 20.2% organic growth. This growth is underpinned by the huge success of winning and delivering services under the Connect the Classroom initiative. The inability to deliver project management and installation services associated with the backlog of equipment orders which have been delayed by the global supply chain issues continued during the year, but towards the end of the year the supply chain challenges were starting to ease and it is expected that these will clear within the next 6 to 12 months. The inability to secure equipment supply within normal lead times has delayed the go live and revenue recognition for £0.4m projects, which also has a knock-on impact for revenues associated with the recurring services attached to the equipment, such as data connectivity and support services.

Support Services – *Support Services revenues demonstrated resilience, increasing by £1.0m to £18.1m (FY22: £17.1m) through* new organic contract wins and increasing services provided to the existing customer base. The latter period of FY22 saw increasing uptake for telephony and IT services with several notable contract wins including Trident IP, Nottingham County Council and Royal Surrey NHS, all of which yielded benefit in FY23.

Technology Products – An increase of £1.3m revenue from Technology Products (hardware and software sales) was driven by the high volume of Connect the Classroom project secured and deliver in the year. In the non-Education sector of the business organic Technology Product revenues continued to be impacted by the supply chain issues arising from the global chip shortage.

Traditional Telephony - The structural decline in Traditional Telephony (fixed line services) has continued in FY23 with a 17.9% reduction from FY22. This is largely as anticipated given that Openreach is continuing with its strategy to switch off the copper telephone network and there is a clear shift to messaging and IP based services over traditional fixed line and calls services.

The ongoing reduction in the proportion of AdEPT revenues linked to Traditional Telephony is a result of our strategy to diversify away from Traditional Telephony into Cloud Centric Strategic Services. Traditional Telephony now accounts for only 10% of Group revenues (FY22: 13%).

Recurring revenues versus one off revenues
In respect of recurring revenues versus one off revenues, the proportion of AdEPT revenue being generated from recurring products and services (being all revenue excluding one-off projects, hardware and software) remains high at 70.7% of total revenue (FY22: 73.6%). The reduction in the proportion of recurring services is a reflection of the substantial increase to one-off revenues associated with the high level of success in winning and delivering a large volume of Connect the Classroom projects All of the managed service product sets include an element of hardware supply and installation services, which, by their nature, are project based and not fixed recurring revenue streams; however, in addition a high proportion of hardware supply and installations are being supplied to the existing customer base, sometimes classified as 're-occurring revenues'.

Market sector analysis
AdEPT continued to be successful in gaining further traction in the public sector space during the last year through leveraging its approved status on various frameworks. AdEPT is an approved supplier to the Crown Commercial Service under numerous frameworks, and The Group has been successful in winning further new business through a number of these frameworks.

The proportion of total revenue generated from public sector and healthcare customers was 56.6% in the year ended 31 March 2023 (FY22: 56.5%). The proportion has been maintained as the organic customer contract awards have been split between public sector and commercial customers.

The Group is continuing to focus its organic sales efforts on a) selling a wider portfolio to existing customers, b) adding and retaining larger customers whilst complementing this with a new customer acquisition strategy. AdEPT is managing the customer risk with a wide spread of business sectors and low customer concentration, with the top ten customers accounting for 22.7% of total revenue (FY22: 28.0%) and no customer accounting for more than 10% of the total.

Gross margin
Gross margin percentage was stable at 47.3% (FY22: 47.6%). Recurring gross margin was 50.7% (FY22: 51.0%).

The gross margin generated from non-recurring products and services increased to 40.1% (FY22: 39.6%) with the increase over the prior year driven by an increase in the volume of higher relative margins on Connect the Classroom projects.

The gross margin for fixed line services was reduced to 35.5% (FY22: 37.3%) with a reduced proportion of relative higher margin call traffic.

Underlying EBITDA
Underlying EBITDA is defined as operating profit after adding back depreciation, amortisation, acquisition fees, restructuring costs, adjustment to deferred consideration and share-based payment charges. The Group uses underlying EBITDA as a measure of performance in line with the IT and unified communications sector's general approach to relative performance measurement. As the Group operates a capex-light model, the Board considers that a good indication of the underlying cash generation of the business for comparison against operating cash flow before tax is underlying EBITDA.

Below is a reconciliation of underlying EBITDA to the reported loss before tax:

	2023 £'000	*2022* *£'000*
Underlying EBITDA	**10,809**	***11,892***
Acquisition and transaction fees	(890)	*(1,371)*
Restructuring costs	(1,514)	*(2,023)*
Share option charges	(24)	*(62)*
Adjustment to deferred consideration	-	*(33)*
Depreciation	(1,314)	*(1,433)*
Amortisation	(6,486)	*(7,246)*
Interest	(3,029)	*(2,752)*
Profit/(loss) before tax	**(2,448)**	***(3,028)***

Underlying EBITDA decreased by 9.1% to £10.8m (FY22: £11.9m). The increase in gross margin achieved was more than absorbed by increases to operating costs many of which were outside the control of the Company, including £0.2m increase to IFRS9 bad debt provisioning, £0.4m energy cost increases, £0.2m social care levy increase to NIC combined with £0.2m of investment in the establishment of the 24/7 Network Operating Centre.

The Group incurred £1.5m of restructuring costs from the streamlining of the senior management team as the business repositioned to two core operating divisions, AdEPT South & Healthcare and AdEPT North & Education. These represent redundancy, settlement and salary costs creating a permanent ongoing reduction to the operating costs of the Group and will benefit future periods.

Acquisition and transaction fees include the cost of legal, tax and corporate finance advisory fees in relation to the acquisition of the Company by Thetis Bidco Limited in April 2023 and do not represent a trading related expense.

Depreciation
The Group has continued to invest in strengthening AdEPT Nebula – Nebula is the AdEPT owned platform providing a capability that supports over 650 customers who take various services from our portfolio of cloud, security, business continuity and disaster recovery, hosted voice, software apps and data connectivity.

£0.6m of depreciation relates to the liability accounting under IFRS16 right of use assets (FY22: £0.7m). The Group has no ownership of these assets. The cash cost in respect of the right of use asset leases is included within the cash flow statement under the heading 'Payment of lease liabilities'.

Finance costs
Total interest costs have increased by £0.2m to £3.0m (FY22: £2.8m). Cash paid interest increased by £0.5m (25.0%) to £2.4m largely from the well-publicised increases in the SONIA rate across the year. The Group has used treasury management of surplus cash balances to minimise the amount of drawn funds during the year to minimise interest costs.

Included within cash paid interest costs is £0.1m of interest charges in relation to IFRS16 which is a cash related item.

Operating profit
This year operating profit increased by £0.9m to £0.6m (FY22: loss of £0.3m). This increase is driven by a lower level of restructuring costs incurred as the repositioning to 2 reporting divisions was completed in the early part of the year, combined with a reduction in amortisation charges.

The operating profit of £0.6m was impacted by non-cash items, including:
- £6.5m amortisation of intangible assets arising from acquisitions undertaken during prior years; and
- £0.7m non-cash depreciation

Loss before tax
This year reported loss before tax was £2.4m (FY22: £3.0m). Reported loss before tax for the year includes the following cash items:
- £2.4m cash financing costs;
- £1.5m restructuring costs;
- £0.9m acquisition and transaction related fees; and
- £0.7m of depreciation which is a cash item related to lease rentals under IFRS16.

Income tax
The income tax charge in the year has decreased by £2.9m to a net credit of £0.7m (FY22: £2.2m charge). The prior year comparative tax charge included a tax debit of £2.8m driven entirely by the change in the deferred tax provisioning rate from 19% to 25% (the UK *Government 2021 Budget announcement of an increase in the tax rate to 25% from 1 April 2023) in relation to the opening deferred* tax balance. This was purely an accounting entry which had no cash impact and the deferred tax liability will reverse out with credits to the income statement at the higher rate in future periods, unless there is a subsequent change by the UK Government Policy to the UK corporation tax rate. The current year tax credit was £1.0m (FY22: excluding the one-off impact of the change in the deferred tax rate a net credit of £0.6m).

Dividends and dividend per share
On the back of strong operating cash flow generation alongside the March 2022 final results AdEPT declared a final dividend of 1.0p per share, which received shareholder approval at the 2022 annual general meeting. This dividend was paid on 6 October 2022. Alongside the interim results to September 2022 a dividend of 2.5p was declared which was intended to be paid in April 2023. This interim dividend was subsequently cancelled under the terms of the offer which was accepted from Thetis Bidco Limited.

Cash flow
The Group benefits from an excellent cash-generating operating model. Low capital expenditure results in a high proportion of underlying EBITDA turning into cash. The proportion of reported EBITDA which turned into net cash from operating activities before income tax was 86.5% (FY22: 108.4%).

Overall working capital absorbed £1.2m of cash during the year. Customer payment periods have been a focus for the Group since the start of the Covid-19 pandemic as they are considered a lead indicator of potential future trading and cash issues within the customer base. Customer payment periods were reduced to 52 days (FY22: 44 days). The Group has consciously continued to meet supplier payments on time throughout the year, but the nature of the Connect the Classroom projects required upfront payment on equipment purchase which meant that trade payables reduced compared to the profile of receivables, which absorbed £1.1m of working capital.

Income taxes paid in cash during the year reduced to £0.1m following HMRC repayments in relation to prior years received in FY23 (FY22: £1.0m).

Cash interest paid has increased during the year to £2.4m (FY22: £1.9m), which arises from the increases to the SONIA rate across the year.

Cash outflows for FY23 in relation to acquisitions amounted to £4.3m, all of which related to the Datrix deferred consideration, with no further amounts due.

Capital expenditure
The Group continues to operate an asset-light strategy and has low capital requirements; therefore, expenditure on fixed assets is low at 1.6% of revenue (FY22: 1.9%). The capital expenditure in the current year arises from AdEPT investing in the development of the network connecting three data centres (which, combined with other capabilities and services, is known as 'AdEPT Nebula'). AdEPT Nebula

is built around the core data centre in Orpington, which is owned by AdEPT. The network allows AdEPT to provide its own cloud hosting capability, security, business continuity and disaster recovery, cloud hosted voice, software apps and data connectivity.

AdEPT Nebula is live and delivering benefits to hundreds of customers by providing Avaya IP cloud telephony services, hosted IT services and a range of data connectivity services. The network underpinning AdEPT Nebula has been developed using the in-house skills and capabilities of the AdEPT technical team. The Company will continue to review development opportunities for the addition of new products and services to AdEPT Nebula as customer demand dictates.

Payments of lease liabilities
As required under IFRS 16, the balance sheet value of tangible fixed assets includes the discounted value of the remaining lease rentals for any material agreements which have a lease term greater than twelve months. The net present value of any new leases is included in tangible fixed assets. These are not upfront cash purchases as the rentals are paid on a monthly or quarterly basis and therefore the cost is not included within capital expenditure, instead the cash outflows from the lease agreements are included in the cash flow statement under the heading 'Payments of lease liabilities' and amounted to £0.7m in the current year (FY22: £0.7m).

Net debt and bank facilities
A key strength of AdEPT is its consistent, proven ability to generate strong free cash flow and therefore support net borrowings. As a result of the Group's focus on underlying profitability and cash conversion, net operating cash flow after taxes but before bank interest paid of £7.1m was generated during the year ended 31 March 2023 (FY22: £8.1m). This cash flow generation represents 83.3% conversion of reported EBITDA (FY22: 96.2%).

Opening cash plus the free cash flow generated in the year and borrowing drawdowns from the senior debt facility have been used to fund £4.3m acquisition consideration and £1.1m of capital expenditure on tangible and intangible assets. Net senior debt, which comprises cash balances and senior bank borrowings (excluding IFRS 16 liabilities), has increased to £31.0m at the year-end (FY22: £29.4m). Following the acquisition of the company by Thetis Bidco Limited the bank facility was fully repaid in April 2023.

Section 172 requirements of the Companies Act
AdEPT was originally established as a fixed line telecoms provider but has diversified its product range to become one of the UK's leading providers of managed services for cloud, digital platforms, unified communications, and connectivity solutions. This transition has been largely through development of the organic sales focus combined with strategic acquisition of earnings-enhancing businesses. In quarter four of the prior period the Board reviewed the strategy and as a result concluded that the Group was ideally placed to capitalise on its market position and capabilities, and in turn focus on the organic growth opportunities now available, while using its strong cash generation to reduce debt.

The Company is focused on maintaining a high proportion of recurring revenue and margin, and a low operating cost base with a high proportion of EBITDA converting to operating free cash flow. This high free cash flow is to be used to reduce debt combined with returns to shareholders via dividends when appropriate to do so.

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

Customer loss risk
The impact of this is partially mitigated with no customer accounting for more than 10% of the Group revenue. The top ten customers account for approximately 22.7% of revenues. The customer base of the Company is also spread across a wide geographical area and across a wide range of business sectors. We continue to monitor customer churn, develop our customer offering and service delivery. We acknowledge that some of our customers may experience financial pressure as a result of the current economic climate and more recent disruption from the war in Ukraine. To manage this risk, we maintain regular contact with our customers to identify and respond to any risks as early as possible.

Catastrophic event risk
All employees are able to work remotely, and the Group's operational and administrative servers are located and managed such that damage from an outage is minimised. A business continuity plan is in place which is reviewed regularly and enhanced from the results of testing. The Group is increasingly moving to cloud based systems, which are more readily available for a timely response to a catastrophic event.
Credit risk
The Group extends credit of various durations to customers depending on customer credit worthiness 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 Group will suffer adverse consequences. To manage this, the Group continually monitors credit terms to ensure that no single customer is granted credit inappropriate to its credit risk. Additionally, a large proportion of our customer receipts are collected by monthly direct debit. The risk is further reduced by the customer base being spread across a wide variety of industry and service sectors.

Liquidity risk
The Group 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 Group's forecast working capital requirements.

Competitor risk
The Group 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 developments 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 life cycle.

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 Group therefore monitors market prices on an ongoing basis.

Cyber-attack on Company, customer or supplier systems
The Group has extensive experience in cyber security and continues to invest of training, systems and tools to protect the Company and its customers. Customer networks are securely segregated from those of the Company and systems are replicated/backed up in more than one location. AdEPT holds several security accreditations including ISO27001, ISO9001, Cyber Essentials and PCI DSS. The Company's security systems and processes are subject to extensive third-party external auditing. In addition, the Company has in place a cyber insurance protection.

Acquisition integration execution
The Group 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 Group mitigates this risk by careful planning and rigorous due diligence.

Venetia Cooper
Chief Finance Officer
15 December 2023

Directors' report

For the year ended 31 March 2023

The directors present their report and the financial statements for the year ended 31 March 2023.

The following directors have served during the year:

- Ian Fishwick (resigned 11 April 2023)
- Richard Bligh (resigned 11 April 2023)
- Craig Wilson (resigned 11 April 2023)
- *Phil Race (resigned 11 April 2023)*
- John Swaite (resigned 11 April 2023)
- Andy Lovett (resigned 11 April 2023)

After the year end the following directors were appointed:

- Venetia Cooper (appointed 11 April 2023)
- Emily Wise (appointed 11 April 2023)

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 UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group 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 Group 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 Group 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 directors' report and other information included in the annual report and financial statements are prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the AdEPT website is the responsibility of the directors.

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.

Provision of information to auditor

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 Group's auditor was 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 auditor was 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 considered a number of factors in determining whether the going concern basis remains appropriate.

The Group does not have high customer concentration or sector exposure and the majority of the revenue stream is generated from recurring products and services, which combined provide good revenue and profitability visibility for the foreseeable future. The Group has adequate funding facilities available to it, the details of which are included in Notes 21 and 28 of these financial statements. Credit risk is being managed by customers paying via direct debit, paying deposits or paying in advance of receiving service.

The directors have reviewed the detailed financial forecast of the Group and the underlying assumptions in light of the current trading performance, which demonstrate continued strong operating cash flow. As set out in note 27 to the financial statements the company was acquired by Thetis Bidco Limited on 11 April 2023. The financial statements would have been prepared on the going concern basis, however solely due to the fact that the trade and assets have been hived up into Wavenet Limited on 1 November 2023, the financial statements have been prepared on a non-going concern basis. The directors have reviewed the assets and liabilities of the company that were transferred to a group company with no material amendments to the carrying value of any items considered necessary.

Employee involvement
The Group 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 Group has in place an indemnity insurance policy for the benefit of the senior management and employees at a cost of £10,000 (FY22: £9,525).

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

Significant events
On 11 April 2023 the entire issued share capital of the company was acquired by Thetis Bidco Limited, and the Company was delisted from AIM.

Research and development
The Group has a software development team at Atomwide which is responsible for the ongoing enhancement of existing software applications and the development of new software and a technical team which is responsible for the enhancement and development of the AdEPT Nebula network. The costs incurred during the year in relation to these activities was £351,186 (FY22: £384,600); of which £105,584 was recognised in relation to the Nimbus Sync and Webscreen X software developments with the balance of these costs being expensed as incurred and included within administrative expenses in the statement of comprehensive income.

The rest of the Group does not undertake significant levels of investment in research and development; instead it works with strategic network and supply partners to develop the product portfolio.

Streamlined Energy and Carbon Reporting (SECR)
Streamlined Energy and Carbon Reporting (SECR) is the UK Government's name for energy and carbon reporting and taxation. SECR came into force on 1 April 2019. The Companies Act 2006 described a regime where all large businesses (and we read that as all private businesses apart from SMEs) report carbon emissions in their annual reports and accounts.

As a largely office-based business, the Group has a relatively low carbon presence. Under the SECR requirements we are reporting energy use (gas and electricity) and business related mileage for all of our UK operations, for both Company owned and personal vehicle usage.

	March 2023		March 2022	
$kgCO_2e$	**Transport**	**Electricity**	Transport	Electricity
Scope 1	—	—	—	—
Scope 2	—	**468,137**	—	476,072
Scope 3	**139,762**	—	144,998	—
	139,762	**468,137**	144,998	476,072

The total electricity consumption value is the actual value of kWh energy units consumed at an average conversion factor of 0.35 $kgCO_2e$ per kWh. Transport is the total value of business mileage (in Company and personal vehicles) consumed at an average conversion factor of 2.9 $kgCO_2e$ per mile travelled.

The absolute increase in $kgCO_2e$ arises from the additional energy consumption from the premises overhead and headcount related transport costs arising from the acquisition of Datrix, combined with the return to office premises for the other operating sites and increases to employee travel back to a more normal level following the easing of Covid restrictions. The Group's intensity ratio, calculated as total energy value per employee, for the year ended 31 March 2023 was 1,757 $kgCO_2e$ (FY22: 1,837 $kgCO_2e$).

The Group is committed to promoting sustainability. We aim to follow and promote good sustainability practice, to carry out our operations in a way which manages and recognise any adverse environmental impacts from our activities. This includes taking into account environmental factors when choosing energy suppliers, avoiding physical travel to meetings where practical, and supporting our staff with remote/homeworking through the introduction of a hybrid working practice.

Dividends
Dividends of 1.0p per share were paid to shareholders on 6 October 2022 (FY22: £Nil).

Financial risk management
Details of the financial risk management policies of the Group are included in Note 28.

Auditor
Following the acquisition of the Company, the auditor for the Thetis Bidco Limited will be proposed for appointment in accordance with Section 489 of the Companies Act 2006.

On behalf of the Board on 15 December 2023 by

Venetia Cooper

Director

Independent auditor's report

To the shareholders of AdEPT Technology Group Limited

Opinion

We have audited the financial statements of Adept Technology Group Plc (the "parent company") and its subsidiaries (the "group") for the year ended 31 March 2023 which comprise the Group statement of comprehensive income, the Group and parent company statements of financial position, the Group and parent company statements of changes in equity, the Group and parent company statements of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – non-going concern basis of preparation

As set out in note 2 to the financial statements the company was purchased by Thetis Bidco Limited on 11 April 2023. The trade and assets have been hived up into Wavenet Group Limited a company in the new group on 1 November 2023. Therefore on that basis the financial statements have been prepared on a non-going concern basis. Our opinion is not modified in respect of this matter.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.
We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.
We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and the recognition of revenue. Our audit procedures to respond to these risks included:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;

- examining supporting documents for all material balances, transactions and disclosures;
- review of the board meeting minutes;
- enquiry of management and review and inspection of relevant correspondence with any legal firms;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- detailed testing of a sample of sales made during the year and around the year end and agreeing these through to invoices and despatch records.
- testing the appropriateness of a sample of significant journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
- review of accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Crowe UK LLP

Darren Rigden (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
40-46 High Street
Maidstone
Kent
ME14 1JH, UK
19th December 2023

Consolidated statement of comprehensive income

For the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Revenue	4	**70,001**	68,082
Cost of sales		**(36,912)**	(35,650)
Gross profit		**33,089**	32,432
Administrative expenses		**(32,508)**	(32,708)
Operating profit/(loss)		**581**	(276)
Total operating profit – analysed:			
Underlying EBITDA		**10,809**	11,802
Share-based payments		**(24)**	(62)
Depreciation of tangible fixed assets		**(1,314)**	(1,433)
Amortisation of intangible fixed assets		**(6,486)**	(7,246)
Revaluation of deferred consideration		**-**	(33)
Acquisition/transaction fees		**(890)**	(1,371)
Restructuring costs		**(1,514)**	(2,023)
Total operating (loss)/profit		**581**	(276)
Finance costs	7	**(3,029)**	(2,752)
Loss before income tax		**(2,448)**	(3,028)
Income tax expense	9	**655**	(2,204)
Loss for the year		**(1,793)**	(5,232)
Other comprehensive income		**-**	-
Total comprehensive income		**(1,793)**	(5,232)

All amounts relate to continuing operations. The notes on pages 20 to 40 form part of these financial statements.

Consolidated statement of financial position

As at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Assets			
Non-current assets			
Goodwill	11	**19,908**	19,908
Intangible assets	12	**37,547**	43,619
Property, plant and equipment	14	**2,270**	1,802
Deferred tax asset	15	**-**	-
		59,725	65,329
Current assets			
Inventories	16	**336**	843
Contract assets	4	**186**	422
Trade and other receivables	17	**22,382**	21,109
Income tax		**-**	243
Cash and cash equivalents		**4,143**	3,714
		27,047	26,331
Total assets		**86,772**	91,660
Current liabilities			
Trade and other payables	18	**22,142**	25,535
Contract liabilities	4	**2,244**	2,657
Income tax		**339**	-
Short-term borrowings		**34,308**	59
		59,033	28,251
Non-current liabilities			
Deferred tax	15	**9,369**	10,810
Convertible loan instrument	19	**6,956**	6,728
Long-term borrowings	19	**873**	33,310
Total liabilities		**76,231**	79,099
Net assets		**10,541**	12,561
Equity attributable to equity holders			
Share capital	21	**2,503**	2,503
Share premium		**4,378**	4,378
Share option reserve		**1,261**	1,237
Capital redemption reserve		**18**	18
Retained earnings		**2,381**	4,425
Total equity		**10,541**	12,561

The financial statements were approved and recognised for issue by the Board on 15 December 2023 and signed on its behalf by:

V Cooper

Venetia Cooper
Director

The notes on pages 20 to 40 form part of these financial statements.

Registered number 4682431

Company statement of financial position

As at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Assets			
Non-current assets			
Goodwill	11	**6,152**	2,011
Intangible assets	12	**23,741**	10,803
Investments	13	**19,729**	44,501
Property, plant and equipment	14	**1,468**	615
		51,091	57,930
Current assets			
Inventories	16	**-**	62
Contract assets	4	**186**	422
Trade and other receivables	17	**17,523**	11,091
Income tax		**73**	311
Cash and cash equivalents		**2,469**	135
		20,251	12,021
Total assets		**71,342**	69,951
Current liabilities			
Trade and other payables	18	**16,374**	8,815
Contract liabilities	4	**2,244**	2,657
Income tax		**-**	-
Short term borrowings		**34,282**	-
		52,900	11,472
Non-current liabilities			
Other provisions and liabilities	15	**495**	563
Convertible loan instrument	19	**6,955**	6,728
Long-term borrowings	19	**428**	33,086
Total liabilities		**60,778**	51,849
Net assets		**10,564**	18,102
Equity attributable to equity holders			
Share capital	21	**2,503**	2,503
Share premium		**4,378**	4,378
Share option reserve		**1,261**	1,237
Capital redemption reserve		**18**	18
Retained earnings		**2,404**	9,966
Total equity		**10,564**	18,102

The loss for the financial year dealt with in the financial statements of the parent Company was £7,311,185 (FY22: loss of £3,911,268).

The financial statements were approved and recognised for issue by the Board on 15 December 2023 and signed on its behalf by:

Venetia Cooper
Director

The notes on pages 20 to 40 form part of these financial statements.

Registered number 4682431

Consolidated statement of changes in equity

For the year ended 31 March 2023

	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 2021	**2,503**	**4,378**	**1,175**	**18**	**9,657**	**17,731**
Loss for the year	-	-	-	-	(5,232)	(5,232)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(5,232)	(5,232)
Share-based payments	-	-	62	-	-	62
Equity at 1 April 2022	**2,503**	**4,378**	**1,237**	**18**	**4,425**	**12,561**
Loss for the year	-	-	-	-	(1,793)	(1,793)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(1,793)	(1,793)
Dividends paid	-	-	-	-	(251)	(251)
Share-based payments	-	-	24	-	-	24
Equity at 31 March 2023	**2,503**	**4,378**	**1,261**	**18**	**2,381**	**10,541**

The notes on pages 20 to 40 form part of these financial statements.

Company statement of changes in equity

For the year ended 31 March 2023

	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 2021	**2,503**	**4,378**	**1,175**	**18**	**13,877**	**21,951**
Loss for the year	-	-	-	-	(3,911)	(3,911)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(3,911)	(3,911)
Share-based payments	-	-	62	-	-	62
Equity at 1 April 2022	**2,503**	**4,378**	**1,237**	**18**	**9,966**	**18,102**
Loss for the year	-	-	-	-	(7,311)	(7,311)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(7,311)	(7,311)
Dividends paid	-	-	-	-	(251)	(251)
Share-based payments	-	-	24	-	-	24
Equity at 31 March 2023	**2,503**	**4,378**	**1,261**	**18**	**2,404**	**10,564**

The notes on pages 20 to 40 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2023

	2023 £'000	2022 £'000
Cash flows from operating activities		
Loss before income tax	**(2,448)**	(3,028)
Depreciation and amortisation	**7,799**	8,680
Adjustment to deferred consideration	**-**	33
Profit on sale of fixed assets	**(2)**	-
Share-based payments	**24**	62
Net finance costs	**3,035**	2,752
Operating cash flows before movements in working capital	**8,408**	8,499
(Increase)/decrease in inventories	**507**	(272)
(Increase)/decrease in trade and other receivables	**(1,534)**	(2,856)
Increase/(decrease) in trade and other payables	**(134)**	3,737
Cash generated from operations	**7,247**	9,108
Income taxes paid	**(146)**	(1,024)
Net cash from operating activities	**7,101**	8,084
Cash flows from investing activities		
Interest paid	**(2,371)**	(1,897)
Acquisition of subsidiaries net of cash acquired	**(4,316)**	(8,206)
Purchase of intangible assets	**(414)**	(863)
Purchase of property, plant and equipment	**(695)**	(386)
Net cash used in investing activities	**(7,796)**	(11,352)
Cash flows from financing activities		
Dividends paid	**(251)**	-
New bank loans	**8,000**	500
Repayment of bank loans	**(5,929)**	(6,000)
Payments of lease liabilities	**(696)**	(684)
Net cash from financing activities	**1,124**	(6,184)
Net (decrease)/increase in cash and cash equivalents	**429**	(9,452)
Cash and cash equivalents at beginning of year	**3,714**	13,166
Cash and cash equivalents at end of year	**4,143**	3,714
Cash and cash equivalents		
Cash at bank and in hand	**4,143**	3,714
Cash and cash equivalents	**4,143**	3,714

The notes on pages 20 to 40 form part of these financial statements.

Company statement of cash flows

For the year ended 31 March 2023

	2023 £'000	2022 £'000
Cash flows from operating activities		
Loss before income tax	**(7,367)**	(3,912)
Depreciation and amortisation	**3,063**	2,971
Adjustment to deferred consideration	**-**	33
Share-based payments	**24**	62
Net finance costs	**2,951**	2,698
Operating cash flows before movements in working capital	**(1,329)**	1,852
Decrease in inventories	**62**	49
Decrease in trade and other receivables	**5,290**	4,004
Decrease in trade and other payables	**4.185**	88
Cash generated from operations	**8,208**	5,993
Income taxes paid	**195**	175
Net cash from operating activities	**8,403**	6,168
Cash flows from investing activities		
Interest paid	**(2,420)**	(1,845)
Acquisition of subsidiaries net of cash acquired	**(4,326)**	(8,206)
Purchase of intangible assets	**(298)**	(688)
Purchase of property, plant and equipment	**(561)**	(222)
Net cash used in investing activities	**(7,605)**	(10,961)
Cash flows from financing activities		
Dividends paid	**(250)**	-
New bank loans	**8,000**	500
Repayment of bank loans	**(5,929)**	(6,000)
Payments of lease liabilities	**(285)**	(223)
Net cash from financing activities	**1,536**	(5,723)
Net (decrease)/increase in cash and cash equivalents	**2,334**	(10,516)
Cash and cash equivalents at beginning of year	**135**	10,651
Cash and cash equivalents at end of year	**2,469**	135
Cash and cash equivalents		
Cash at bank and in hand	**2,469**	135
Cash and cash equivalents	**2,469**	135

The notes on pages 20 to 40 form part of these financial statements.

Notes to the financial statements
For the year ended 31 March 2023

1. Nature of operations and general information
AdEPT is one of the UK's leading independent providers of managed services for IT, unified communications, connectivity and voice solutions focused on enterprise business, public sector and healthcare customers. The Company provides a complete communications portfolio of unified communications, IP telephony, IT services, equipment installation, managed services, Wi-Fi, IT and communications hardware and data connectivity products.

AdEPT is incorporated under the Companies Act 2006 and domiciled in the UK and the registered office is located at One Central Boulevard, Shirley, Solihull, B90 8BG. The Company's shares were listed on AIM of the London Stock Exchange until 11 April 2023.

2. Accounting policies
Basis of preparation of financial statements

The financial statements have been prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. As set out in note 27 to the financial statements the company was acquired by Thetis Bidco Limited on 11 April 2023. The financial statements would have been prepared on the going concern basis, however solely due to the fact that the trade and assets have been hived up into Wavenet Limited on 1 November 2023, the financial statements have been prepared on a non-going concern basis. The directors reviewed the assets and liabilities of the company and there were no material amendments to the carrying value of any items considered necessary.

At the date of these financial statements, the directors have considered the standards and interpretations which have not been applied in these financial statements that were in issue but not yet effective and none were considered to be materially relevant.

Adoption of the other standards and interpretations is not expected to have a material impact on the results of the Group. Application of these standards may result in some changes in the presentation of information within the Group's financial statements.

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

Revenue

The Group recognised income in accordance with IFRS 15 'Revenue from Contracts with Customers'. Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised when it transfers control over a product or service to a customer to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured.

The following is a description of the principal activities from which the Group generates its revenue.

Segment	Product/service	Nature, timing of satisfaction of performance obligations and significant payment terms
Fixed line services	Calls and line rental	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. The performance obligations of calls and line rental services are fulfilled in the month in which the services are consumed by customers. Customer payment terms are 14 days from invoice for call usage and line rental services with the charges paid on a monthly basis.
Managed services	Data networks	Revenue arising from the provision of internet and other data connectivity services is recognised evenly over the periods in which the service is provided. to the customer. Revenue from installation of data connectivity services is recognised evenly over the term of the customer contract. The performance obligations of data networks are fulfilled when the equipment is installed, the service has gone live and the associated data connectivity rental services are consumed by customers on a monthly basis. Equipment required for data connectivity services is covered by a standard manufacturer warranty which is provided back-to-back with customer terms. Customer payment terms are 14 days from invoice; installation charges (if applicable) are paid for upfront with the rental charges paid on a monthly, annual or quarterly basis.
Managed services	Sale of goods	Revenue from the sale of goods is recognised when the goods have been fully installed and the risks and rewards of ownership have passed to the customer. The performance obligations of the supply of goods and equipment are met when the goods have been delivered, configured and installed. Goods supplied are covered by a standard manufacturer warranty which is provided back-to-back with customer terms. Customer payment terms are 30 days from invoice date. A deposit of up to 33% is invoiced prior to delivery with the balance being invoiced once the equipment has been configured and installed.
Managed services	Support services	Support service revenues are recognised evenly over the customer's contractual period for which the charges relate. Support service charges which arise outside of the customer contracts are recognised in the month when the support service is provided. The performance obligations of support services are fulfilled in the month in which the services are consumed by customers. Customer payment terms are 14–30 days from invoice date; support services are invoiced and paid for up to twelve months in advance.

Where customer contracts have multiple components to be delivered (e.g. equipment rental and internet services), the revenue *attributable to each component is calculated based on the fair value of each component.*

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.

Grant income

The Group recognises income from government grants under the accruals model as permitted by IAS 20. Grants are recognised in the income statement as other income in the same period as the related expenditure.

Goodwill

Goodwill is recognised separately as intangible assets and carried at cost less accumulated impairment losses. Goodwill is tested for impairment at least annually. Any impairment is recognised immediately in the income statement. Subsequent reversals of impairment losses for goodwill are not recognised.

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 recognised at fair value at the acquisition date.

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.

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 straight line
Computer software	–	Three years straight line
Software apps	–	Ten years straight line
Website	–	Five years straight line
Customer relationships	–	Ten to seventeen years straight line

Investments

Shareholdings in subsidiaries are valued at cost less impairment.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

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 impairment testing of trade receivables is described in Note 19.

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 straight line
Fixtures and fittings	–	Three years straight line
Office equipment	–	Three years straight line
Motor vehicles	–	Four years straight line
Rental equipment at customer premises	–	Contract agreement period straight line
Right of use assets	–	Contract agreement period straight line

Lease accounting

The policy applies to leased properties, motor vehicles and certain data connectivity agreements where the underlying services are being used by the Group.

When the Group enters into a lease, a lease liability and a right of use asset are created.

A lease liability is recognised at the commencement date and is measured at the present value of the remaining lease payments discounted using the Group's incremental borrowing rate at the date of initial application. The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in the income statement.

A right of use asset is recognised at the commencement date. The right of use asset is measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease. The right of use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation policy for leased property, motor vehicles and office and computer equipment is on a straight line basis over the shorter of the lease term and the useful life of the asset.

Where leases are twelve months or less or of low value, payments made are expensed evenly over the period of the lease.

The directors have concluded that the following arrangements will be out of the scope of IFRS 16 based upon the Group's specific circumstances:

- services which the Group rents from third-party network providers which are used by third-party customers; and
- copper and fibre lines which the Group rents from third-party network providers in the 'last mile', comprising copper between the exchange and customer/business premise, and a combination of copper and fibre for FTTC customers.

These services are owned and controlled by third-party network providers, and AdEPT has no direct control over the service in terms of speed or availability.

However, the directors have concluded that the following should be accounted for as a lease under IFRS 16:

- the underlying products and services which the Group is using to operate the business, including those required for operation of *the AdEPT Nebula network.*

Although the Group has no direct control over the service in terms of speed or availability, AdEPT has the right to determine the use of the underlying service and retains substantially all of the economic benefits throughout the period of use. These assets are dedicated services which are not being shared with other providers. The financial and commercial benefits from ownership belong to the Group during the contractual period, and it has the right to request changes to the service direct with the network provider.

Inventories

Inventories are valued at the lower of cost and net realisable value after making allowance for any obsolete or slow moving items. Full provision is made for any items older than six months. 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 Group 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.

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 it is 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 using an appropriate pricing model for which the assumptions are approved by the directors.

At each reporting date, the cumulative expense is calculated representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Trade and other receivables

Trade receivables, which generally have 14 to 30 day terms, are initially recognised at fair value and subsequently held at amortised cost. A provision for impairment of trade receivables is established for any amount due in 90 or more days or when it is considered probable that the Group may not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The provision is the difference between the asset's carrying amount and the original invoice amount less bad debts written off. The carrying amount of the asset is reduced through the use of the provision and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

Subsequent recoveries of amounts previously written off are credited to the income statement.

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.

Trade payables

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

Dividends

Dividend distributions to the Company's shareholders are recognised in respect of interim dividends when payment has been made to shareholders and final dividends are recognised when approved by the members.

Financial instruments

Financial assets and liabilities are recognised at the Group's reporting date when the Group becomes a party to the contractual provisions of the instrument.

Capital

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 19 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 are 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 released over the term of the related liability in accordance with IFRS 9.

The Group has applied the principles of IAS 32 and IFRS 9 in the recognition and measurement of the convertible loan. The net present value of the loan has been split between the debt and equity components and an amount has been recorded in equity, with the balance being included within long-term debt. The net present value discount and the transaction costs are being recognised in the interest charge in the statement of comprehensive income across the term of the convertible instrument.

3. Critical accounting estimates and judgements

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

Key sources of estimation and uncertainty are:

Goodwill and intangible impairment

The basis of judgement in respect of goodwill and intangible impairment reviews is set out in Notes 11 and 12.

Intangible valuation

The valuation of intangible assets (for example customer bases) is calculated by reference to the discounted cash flow generated by the separable intangible assets which have been acquired. Details of the assumptions used in measuring the fair value of intangible assets on acquisition are set out in Note 12.

Credit losses on bad debts

Management reviews are performed to estimate the level of provision required for irrecoverable debt under the requirements of IFRS 9. Provisions are made specifically against invoices where recoverability is uncertain. Further information on the receivables allowance account is given in Note 17.

Identification of intangible assets

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

4. Revenue

In the following table, revenue is disaggregated by major product/service lines and timing of revenue recognition. All revenue is derived from the UK.

	2023 £'000	2022 £'000
Sale of goods	**20,974**	17,969
Provision of services:		
– calls and line rental	**7,382**	8,582
– data networks	**14,883**	15,733
– support services	**23,134**	20,453
– cloud telephony and other services	**3,628**	5,345
	70,001	68,082
Timing of revenue recognition		
Products transferred at a point in time	**20,974**	17,969
Products and services transferred over time	**49,027**	50,113
	70,001	68,082

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

	2023 £'000	2022 £'000
Receivables, which are included in 'Trade and other receivables'	**13,318**	13,550
Contract assets	**186**	422
Contract liabilities	**(2,244)**	(2,657)

Contract assets relate to the deferred direct costs in respect of data circuit installations which have been completed and are being recognised across the customer's contractual term to which the installation relates. The contract liabilities relate to the deferred revenue in respect of data installations which have been completed and the revenue is being recognised across the term of the customer contract.

Significant changes in the contract assets and contract liabilities balances during the period are as follows:

	2023 £'000	2022 £'000
Revenue deferred into future periods	**(2,244)**	(2,657)
Deferred revenue recognised in the period	**2,896**	1,744
Direct costs deferred into future periods	**186**	422
Deferred direct costs recognised in the period	**1,128**	854

The performance obligations of the underlying contracts to which the contract assets relate are expected to be met over periods of up to five years. However, the performance obligations for all revenues and costs that have been deferred into future periods have been satisfied at the year end, as these relate to the installation and equipment of data networks which have been completed and the service is being used by the customer.

There are no impairment losses in relation to the contract assets recognised under IFRS 15.

5. Operating profit

The operating profit is stated after charging:

	2023 £'000	2022 £'000
Amortisation of customer base, billing system and licence	**6,486**	7,246
Depreciation of tangible fixed assets:		
– owned by the Group	**662**	743
– right of use assets	**652**	690
Share option expense	**24**	62
Acquisition and transaction costs	**890**	1,371
Restructuring and non-recurring costs	**1,514**	2,023

Acquisition and transaction costs relate to the legal and professional advisory fees incurred as a direct result of the acquisition of the company by Thetis Bidco Limited, which completed on 11 April 2023. Restructuring costs relate to the operating costs which have been either terminated or notice to terminate has been served and therefore these items will not form part of the future operating costs of the Group.

6. Auditor's remuneration

	2023 £'000	2022 £'000
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	**148**	58
Fees payable to the Group's auditor and its associates in respect of:		
– audit of subsidiaries	**55**	100
– *other services relating to taxation*	**23**	23

7. Finance costs

	2023 £'000	2022 £'000
On bank loans and overdrafts	**2,468**	1,872
Bank arrangement fees	**509**	415
IFRS 16 lease liability interest	**52**	50
Finance cost on contingent consideration	**-**	415
	3,029	2,752

8. Employee costs

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

	2023		2022	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Wages and salaries	**16,065**	**6,150**	15,705	3,886
Social security costs	**1,876**	**705**	1,684	414
Share option expense	**24**	**24**	62	62
Other pension costs	**410**	**157**	423	92
	18,375	**7,036**	17,874	4,454

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

	2023		2022	
	Group Number	**Company Number**	Group Number	Company Number
Non-executive directors	**3**	**3**	4	4
Administrative staff	**343**	**103**	336	55
	346	**106**	340	59

Key management personnel

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

Director remuneration

The remuneration of the directors in office during the year was as follows:

	Short-term employee benefits			Post-employment benefits			
	Salary and fees paid or receivable £	Bonus and commission paid or receivable £	Other benefits £	Pension contributions £	Redundancy £	**Total 2023 £**	Total 2022 £
R Wilson	-	-	-	-	-	**-**	**43,490**
I Fishwick	130,000	-	-	13,821		**143,821**	152,254
R Bligh	40,000	-	-	1,013		**41,013**	41,246
C Wilson	41,000	-	-	1,043		**42,043**	42,283
P Race	268,280	164,023	2,945	10,000	3,400	**448,648**	278,142
A Lovett	219,345	151,500	14,117	1,321	2,600	**388,883**	205,601
J Swaite	209,268	151,500	1,852	1,321	9,992	**373,933**	208,794
Total	907,893	467,023	18,914	28,519	15,990	**1,438,341**	971,816

During the year retirement benefits were accruing to six directors (FY22: seven) in respect of money purchase pension schemes. The value of the Group's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £10,000 (FY22: £10,000).

The share option debit recognised during the year in respect of the directors was £24,144 (FY22: £61,682). The aggregate amount of gains made by directors on the exercise of share options was £Nil (FY22: £Nil). There were no directors (FY22: Nil) who exercised share options during the year.

The following share options were outstanding under the Company share option scheme at 31 March 2023:

	Option scheme	Options at 1 April 2022	Awarded in year	Options exercised	Options lapsed	**Options at 31 March 2023**	Option price	Date of grant
I Fishwick	EMI	129,440	—	—	—	**129,440**	222p	1 March 2016
J Swaite	EMI	64,720	—	—	—	**64,720**	222p	1 March 2016
R Wilson	EMI	29,660	—	—	(29,660)	-	222p	1 March 2016
I Fishwick	Unapproved	140,000	—	—	—	**140,000**	335p	2 August 2017
J Swaite	Unapproved	100,000	—	—	—	**100,000**	335p	2 August 2017
P Race	Unapproved	237,018	—	—	—	**237,018**	368p	1 January 2019
A Lovett	Unapproved	100,000	—	—	—	**100,000**	355p	26 September 2019
P Race	Unapproved	237,018	—	—	—	**237,018**	333p	1 January 2020
A Lovett	Unapproved	125,149	—	—	—	**125,149**	220p	1 January 2021
P Race	Unapproved	125,149	—	—	—	**125,149**	220p	1 January 2021

All options were issued at market value and have a three year vesting period. 1,008,196 of the outstanding options have vested and they are not subject to any performance conditions. The remaining options are not subject to any performance conditions and had not vested at 31 March 2023.

9. Income tax expense

	2023 £'000	2022 £'000
Current tax		
UK corporation tax on profit for the year	**829**	461
Adjustments in respect of prior periods	**(26)**	(267)
Total current tax	**803**	194
Deferred tax		
Origination and reversal of temporary differences:		
– fixed assets and short-term temporary differences	**-**	526
– intangibles on business combinations	**(1,452)**	(1,502)
Effect of tax rate change on opening balance	**-**	2,817
Adjustments in respect of prior periods	**(6)**	169
Total deferred tax (see Note 15)	**(1,458)**	2,010
Total income tax expense	**(655)**	2,204

Factors affecting tax charge for the year

The relationship between expected tax expense based on the effective tax rate of AdEPT at 19% (FY22: 19%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2023 £'000	2022 £'000
Profit before income tax	**(2,449)**	(3,028)
Tax rate	**19%**	19%
Expected tax charge	**(465)**	(575)
Expenses not deductible for tax purposes	**(154)**	348
Adjustments to tax charge in respect of prior periods	**(33)**	(98)
Depreciation/amortisation on non-qualifying assets	**(3)**	(298)
Difference due to deferred tax rate being higher than the standard tax rate	**-**	127
Movement on share option deferred tax assets taken to equity	**5**	22
Plant & machinery super-deduction	**(6)**	(30)
R&D enhanced tax deduction	**(10)**	(103)
RDEC credit taxed	**(6)**	(6)
Effect of tax rate change on deferred tax opening balance	**-**	2,817
Other	**17**	-
Actual tax expense net	**(655)**	2,204

Future changes to tax rates are anticipated in line with the UK Government announcement in the 2021 Budget of an increase in the tax rate to 25% from 1 April 2023.

10. Dividends

On 6 July 2022 the directors proposed a final dividend, which was approved at the 2022 annual general meeting, of 1.0p per ordinary share (FY22: Nil) which was paid to shareholder on 6 October 2022. Total dividends paid in the year ended 31 March 2023 was £250,299 (FY22: £Nil).

Alongside the interim results for the 6 month period ended 30 September 2022 a dividend of 2.5p per ordinary share was declared (FY22: Nil) which was intended to be paid to shareholders in April 2023. This interim dividend was subsequently cancelled under the terms of the offer which was accepted from Thetis Bidco Limited and therefore no dividends are payable in respect of the year ended 31 March 2023.

11. Goodwill

Group

	Total £'000
Cost	
At 1 April 2021	19,492
Additions	2,500
At 1 April 2022	21,992
Additions	-
At 31 March 2023	**21,992**
Impairment	
At 1 April 2021	2,084
Impairment charge	-
At 1 April 2022	2,084
Impairment charge	-
At 31 March 2023	**2,084**
Net book value	
At 31 March 2023	**19,908**
At 31 March 2022	19,908

Company

	Total £'000
Cost	
At 1 April 2021	2,011
Additions	-
At 1 April 2022	2,011
Additions	4,141
At 31 March 2023	**6,152**
Impairment	
At 1 April 2021	-
Impairment charge	-
At 1 April 2022	-
Impairment charge	-
At 31 March 2023	**-**
Net book value	
At 31 March 2023	**6,152**
At 31 March 2022	2,011

We performed an annual goodwill impairment review as at 31 March 2023.

The recoverable amount, being the value in use of goodwill, is determined at a cash-generating unit (CGU) level. These CGUs represent the smallest identifiable group of assets that generate cash flows. Our CGUs are deemed to be the assets within the operating units. Each CGU to which goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The total intangible value in use for each CGU, incorporating goodwill and the intangible asset value, is determined using discounted cash flow projections of each identifiable CGU. The assumptions which are applied to each CGU in respect of churn rate, discount rate, margin and useful economic life are set out in Note 12.

The Group's goodwill is split by CGU as follows:

	March 2023 £'000	March 2022 £'000
Centrix Limited	**3,614**	3,614
Comms Group UK Limited	**2,672**	2,672
CAT Communications Limited	**248**	248
Our IT Department Limited	**4,683**	4,683
Atomwide Limited	**3,313**	3,313
Shift F7 Limited	**879**	879
ETS Communications Limited	**615**	615
Advanced Computer Systems UK Limited	**1,384**	1,384
Datrix Limited	**2,500**	2,500

The net present value of the future cash flows for the CGUs is sensitive to the weighted average cost of capital. The rate used to discount the future cash flows is the Group's pre-tax weighted average cost of capital of 10.0%. An increase in the Group's weighted average cost of capital to above 16.2% would materially impair the carrying value of the Group's goodwill by more than £400,000. Further details of the sensitivity of the variables used in the impairment testing are included in Note 12.

12. Intangible fixed assets

Group

	Licence £'000	Computer software £'000	Customer base £'000	Software apps £'000	Website £'000	Total £'000
Cost						
At 1 April 2021	401	2,263	71,616	3,535	1,767	79,582
Additions	121	546	13,118	169	16	13,970
At 1 April 2022	522	2,809	84,734	3,704	1,783	93,552
Additions	30	278	-	106	-	414
Disposals	-	(947)	-	-	-	(947)
At 31 March 2023	**552**	**2,140**	**84,734**	**3,810**	**1,783**	**93,019**
Amortisation						
At 1 April 2021	202	1,355	38,455	1,287	1,388	42,687
Charge for the year	107	124	6,270	350	395	7,246
At 1 April 2022	309	1,479	44,725	1,637	1,783	49,933
Charge for the year	100	329	5,707	350	-	6,486
Disposals	-	(947)	-	-	-	(947)
At 31 March 2023	**409**	**861**	**50,432**	**1,987**	**1,783**	**55,472**
Net book value						
At 31 March 2023	**143**	**1,279**	**34,302**	**1,823**	**-**	**37,547**
At 31 March 2022	213	1,330	40,009	2,067	-	43,619

Included within the Group's intangible assets is:

	Useful life	March 2023 £'000	March 2022 £'000
Centrix Limited – customer base	17 years	**4,943**	5,486
Comms Group UK Limited – customer base/website	17 years	**2,531**	2,803
Our IT Department Limited – customer base/website	17 years	**959**	1,386
CAT Communications Limited – customer base	10 years	**415**	589
Atomwide Limited – customer base	16 years	**3,161**	3,876
Atomwide Limited – software/apps	5 years	**1,548**	1,898
Shift F7 Limited – customer base	10 years	**2,697**	3,175
ETS Communications Limited – customer base	10 years	**2,026**	2,385
Advanced Computer Systems UK Limited – customer base	10 years	**4,546**	5,274
Datrix Limited – customer base	10 years	**10,519**	11,861
Other customer bases – AdEPT Technology Group plc trading business	10–16 years	**2,781**	3,853

Company

	Licence £'000	Computer software £'000	Customer base £'000	Total £'000
Cost				
At 1 April 2021	136	2,265	39,005	41,406
Additions	137	542	9	688
At 1 April 2022	273	2,807	39,014	42,094
Transfer from subsidiary	-	-	15,146	15,146
Additions	30	268	-	298
Disposals	-	(947)	-	(947)
At 31 March 2023	**303**	**2,128**	**54,160**	**56,591**
Amortisation				
At 1 April 2021	75	1,356	27,384	28,815
Charge for the year	65	121	2,290	2,476
At 1 April 2022	140	1,477	29,674	31,291
Charge for the year	68	328	2,110	2,506
Disposals	-	(947)	-	(947)
At 31 March 2023	**208**	**858**	**31,784**	**32,850**
Net book value				
At 31 March 2023	**95**	**1,270**	**22,376**	**23,741**
At 31 March 2022	133	1,330	9,340	10,803

Critical accounting estimates and key judgements made in reviewing intangible assets and goodwill for impairment

The key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of intangible assets and goodwill, are discussed below.

Measuring the fair value of intangible assets on acquisition

The main estimates used to measure the fair value of the intangible assets are:

- churn rate;
- discount rate; and
- gross margins.

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 31 March 2023 the net present value of future cash flows of certain cash-generating units was above the carrying value and therefore no impairment charge has been recorded (FY22: £Nil).

We tested our intangible assets, investments and goodwill for impairment as at 31 March 2023. The carrying value of the intangible assets and the key assumptions used in performing the annual impairment assessment and sensitivities are disclosed below:

	Book value of cash-generating unit £'000	Estimated value in use £'000
Centrix Limited and CAT Communications Limited	5,358	8,419
Comms Group UK Limited and ETS Communications Limited	4,565	14,252
Our IT Department Limited, Shift F7 Limited and Datrix Limited	16,330	27,994
Atomwide Limited and Advanced Computer Systems UK Limited	9,051	23,478

Discount rate

The rate used to discount the future cash flows is the Group's pre-tax weighted average cost of capital (WACC) of 10.0% (2022: 8.4%). The directors have chosen to use WACC as it is a calculated figure using actual input variables where available and applying estimates for those which are not, such as the equity market premium. An increase in the Group's weighted average cost of capital to above 16.2% would materially impair the carrying value of the Group's intangible assets by more than £400,000.

Churn rate

The churn rate is calculated based on the rate of attrition of the revenue generated from customers as at the date of acquisition and is calculated by reference to the closing revenue as a percentage of the opening revenue in the latest 12 month period.

For the customer bases which have been fully integrated into the AdEPT Technology Group plc trading business in Tunbridge Wells, the churn rate of 5.3% per annum is based upon the actual historical churn rate of the revenue stream from the customer bases.

For Centrix, Comms Group, Our IT Department, CAT Communications, Atomwide, Shift F7, ETS Communications and ACS the net present value of the discounted future cash flows is based on the actual revenues of the acquired customer bases. The actual historical churn rates for the acquired customer bases vary between nil and 3.3% per annum. Where an acquired customer base has shown growth, a default churn assumption of 1% per annum has been applied.

For the software and apps which have been developed by Atomwide the net present value of the discounted future cash flows is based on the actual revenues being derived from the customer base to which the software licences and charges relate. The actual historical churn rates for the software and app revenue stream is nil per annum, but a default churn rate of 1% per annum has been applied for the purpose of impairment testing.

Gross margin

Gross margins applied are based upon actual margins achieved by the customer bases in the current and previous years. A proportion of overheads are applied to the gross margin to represent the actual operating cost required to support the acquired customer revenue stream, resulting in a net margin which is used for the discounted net present valuation.

Useful economic life

The method used to estimate the useful life of each customer base to conduct the impairment review is the revenue churn rate. The average useful economic life of all the customer bases has been estimated at 13 years (FY22: 13 years) with a range of 10 to 17 years.

Sensitivity

The calculations are sensitive to movements in the discount rate, margin or churn rate and may therefore result in an impairment charge to the income statement. The following movements would result in an impairment charge:

- 8.7% increase to the discount rate percentage
- 3.7% increase to the churn rate
- 8% decrease to the gross margin percentage

13. Investments in subsidiaries

Company

	Company £'000	Total £'000
Cost		
At 1 April 2021	61,020	61,020
Additions	12,225	12,225
Disposal	-	-
At 1 April 2022	73,245	73,245
Additions	-	-
Disposal	(24,772)	(24,772)
At 31 March 2023	**48,473**	**48,473**
Amounts written off		
At 1 April 2021	28,744	28,744
Written off during the year	-	-
At 1 April 2022	28,744	28,744
Written off during the year	-	-
At 31 March 2023	**28,744**	**28,744**
Net book value		
At 31 March 2023	**19,729**	**19,729**
At 31 March 2022	44,501	44,501

We tested our investments for impairment as at 31 March 2023, details of the testing are included in Note 12.

Details of the subsidiaries of the Company are included in Note 28 to the financial statements.

14. Property, plant and equipment

Group

	Motor vehicles £'000	Right of use assets £'000	Short-term leasehold improvements £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost						
At 1 April 2021	252	2,064	61	628	2,321	5,326
Acquired with subsidiary	-	135	-	49	164	348
Additions	-	256	36	27	359	678
Disposals	-	(59)	-	-	(81)	(140)
At 1 April 2022	252	2,396	97	704	2,763	6,212
Additions	-	1,105	36	136	517	1,794
Disposals	-	(551)	-	(149)	(308)	(1,008)
At 31 March 2023	**252**	**2,950**	**133**	**691**	**2,972**	**6,998**
Depreciation						
At 1 April 2021	128	1,049	39	550	1,351	3,117
Charge for the year	45	646	11	99	632	1,433
Disposals	-	(59)	-	-	(81)	(140)
At 1 April 2022	**173**	**1,636**	**50**	**649**	**1,902**	**4,410**
Charge for the year	39	652	7	111	505	1,314
Disposals	-	(551)	-	(149)	(296)	(996)
At 31 March 2023	**212**	**1,737**	**57**	**611**	**2,111**	**4,728**
Net book value						
At 31 March 2023	**40**	**1,213**	**76**	**80**	**861**	**2,270**
At 31 March 2022	79	760	47	55	861	1,802

Company

	Motor vehicles £'000	Right of use assets £'000	Short-term leasehold improvements £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost						
At 1 April 2021	-	824	7	280	1,490	2,601
Additions	-	24	-	-	220	244
Disposals	-	-	-	-	-	-
At 1 April 2022	-	848	7	280	1,710	2,845
Transfer from subsidiary	-	127	-	38	228	393
Additions	-	533	-	134	427	1,094
Disposals	-	(539)	-	(149)	(296)	(984)
At 31 March 2023	**-**	**969**	**7**	**303**	**2,069**	**3,348**
Depreciation						
At 1 April 2021	-	415	7	259	1,046	1,727
Charge for the year	-	226	-	10	267	503
Disposals	-	-	-	-	-	-
At 1 April 2022	-	641	7	269	1,313	2,230
Charge for the year	-	271	-	98	265	634
Disposals	-	(539)	-	(149)	(296)	(984)
At 31 March 2023	**-**	**373**	**7**	**218**	**1,282**	**1,880**
Net book value						
At 31 March 2023	**-**	**596**	**-**	**85**	**787**	**1,468**
At 31 March 2022	-	207	-	11	397	615

The right of use asset is made up as follows:

	2023		2022	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Property	**1,157**	**548**	659	175
Motor vehicles	**48**	**40**	93	29
Other	**8**	**8**	8	3
	1,213	**596**	760	207

The depreciation charge for right of use assets is as follows:

	2023		2022	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Property	**514**	**216**	530	177
Motor vehicles	**105**	**26**	111	47
Other	**33**	**29**	9	2
	652	**271**	650	226

15. Deferred taxation

	2023		2022	
	Group £'000	**Company £'000**	Group £'000	Company £'000
At 1 April	**(10,810)**	**(563)**	(6,700)	(172)
Income statement credit/(charge)	**1,361**	**-**	807	(387)
Movement in deferred tax on share options taken to equity	**-**	**-**	(4)	(4)
Origination and reversal of timing differences	**74**	**118**	-	-
Deferred tax transferred from Group company	**-**	**(50)**	-	-
Deferred tax asset acquired with subsidiary	**-**	**-**	404	-
Adjustments in respect of prior periods	**6**	**-**	-	-
Effect of tax rate change on opening balance	**-**	**-**	(2,817)	-
Deferred tax on business combination	**-**	**-**	(2,500)	-
At 31 March	**(9,369)**	**(495)**	(10,810)	(563)

The deferred tax (liability)/asset is made up as follows:

	2023		2022	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Accelerated capital allowances	**(473)**	**(425)**	(540)	(444)
Short-term temporary differences	**11**	**5**	26	5
Losses	**-**	**-**	44	-
Convertible loan note equity element	**(75)**	**(75)**	(124)	(124)
Deferred tax on business combinations	**(8,832)**	**-**	(10,216)	-
Share options	**-**	**-**	-	-
	(9,369)	**(495)**	(10,810)	(563)

16. Inventories

	2023		2022	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Consumables	**336**	**-**	843	62

As at 31 March 2023, inventories of £Nil (FY22: £19,826) were fully provided for. During the year £8,775,290 (FY22: £6,161,236) has been recognised as an expense in the statement of comprehensive income.

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

17. Trade and other receivables

We initially recognise trade and other receivables at fair value, which is usually the original invoiced amount. They are subsequently carried at amortised cost using the effective interest method. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable.

We provide services to consumer and business customers, mainly on credit terms. We know that certain debts due to us will not be paid through the default of a small number of our customers. Because of this, we recognise an allowance for doubtful debts on initial recognition of receivables, which is deducted from the gross carrying amount of the receivable. The allowance is calculated by reference to credit losses expected to be incurred over the lifetime of the receivable. In estimating a loss allowance we consider historical experience and informed credit assessment alongside other factors such as the current state of the economy and particular industry issues. We consider reasonable and supportable information that is relevant and available without undue cost or effort.

Once recognised, trade receivables are continuously monitored and updated. Allowances are based on our historical loss experiences for the relevant aged category as well as forward-looking information and general economic conditions. Allowances are calculated by individual customer-facing units in order to reflect the specific nature of the customers relevant to that customer-generating unit.

	2023		2022	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Trade receivables	**12,975**	**7,353**	13,493	2,664
Other receivables	**344**	**88**	104	4
Amounts owed by Group undertakings	-	-	-	4,810
Prepayments	**7,056**	**5,964**	4,939	1,517
Amounts owed by group undertakings	-	**2,396**		
Accrued income	**2,007**	**1,722**	2,573	2,096
	22,382	**17,523**	21,109	11,091

The Group has one type of financial asset that is subject to IFRS 9's expected credit loss model:

- trade receivables for sales of inventory and from the provisions of consulting services.

Trade receivables and contract assets
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. As at 31 March 2023, trade receivables of £422,667 (FY22: £333,706) were fully provided for.

All debts which are older than 90 days relate to interim amounts in respect of large customer projects which have not yet fully completed and are considered to be fully recoverable on completion. The movement of the provision for impairment of trade receivables is as follows:

	Group £'000	Company £'000
At 1 April 2021	388	300
Receivables provided for during the year as uncollectable	60	-
Receivables collected during the year which were previously provided	(176)	(136)
Receivables written off in the year which were previously provided for	-	-
Acquired through acquisition	62	-
At 1 April 2022	334	164
Receivables provided for during the year as uncollectable	206	64
Receivables collected during the year which were previously provided	(118)	(78)
Receivables written off in the year which were previously provided for	-	-
Acquired from subsidiary	-	131
At 31 March 2023	**422**	**281**

The creation and release of a provision for impaired receivables have 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 asset classes within trade and other receivables do not contain impaired assets.

18. Trade and other payables

	2023		2022	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Trade payables	**7,929**	**6,421**	9,327	2,107
Other taxes and social security costs	**2,622**	**1,550**	2,321	699
Other payables	**241**	**202**	305	44
Lease liability	**422**	**211**	421	205
Accruals and deferred income	**10,928**	**7,990**	8,727	1,326
Amounts owed to group undertakings	-	-	-	-
Contingent consideration	-	-	4,434	4,434
	22,142	**16,374**	25,535	8,815

19. Long-term borrowings

	2023		2022	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Between one and two years	**7,269**	**7,077**	67	67
Between two and five years	**559**	**306**	39,971	39,747
More than five years	-	-	-	-
	7,828	**7,383**	40,038	39,814

Included within short term borrowings bank loans of £34,281,671 are 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 and fixed plant and machinery.

Included in long-term borrowings is an amount of £6,955,485 which is the debt component of the convertible loan instrument from BGF. This loan instrument is subordinated and ranks behind the bank loan.

Details of the interest rates applicable to the borrowings are included in Note 25.

Included within bank loans are arrangement fees amounting to £218,328 (FY22: £433,323) which are being released over the term of the loan.

Following the acquisition of the entire issued share capital of the company on 11 April 2023 by Thetis Bidco Limited, all bank loans and the convertible loan instrument were repaid in full on 11 April 2023.

20. Lease liability

Included within long-term borrowings (Note 19) between two and five years is an amount of £848,442 (FY22: £242,689) which relates to the IFRS 16 lease liability.

	2023		2022	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Within one year	**422**	**211**	405	206
Between two and five years	**848**	**403**	243	18
More than five years	**-**	**-**	-	-
	1,270	**614**	648	224

Total cash payments in respect of IFRS 16 lease agreements during the year were £653,867 (FY22: £683,881).

21. Share capital

	2023 £'000	2022 £'000
Authorised		
65,000,000 ordinary shares of 10p each	**6,500**	6,500
Allotted, called up and fully paid		
25,029,957 (2022: 25,029,957) ordinary shares of 10p each	**2,503**	2,503

Share options

At 31 March 2023, the following options and warrants over the shares of AdEPT were in issue:

	2023		2022	
	Number of shares under option	**Weighted average exercise price**	Number of shares under option	Weighted average exercise price
Outstanding at 1 April	**3,244,064**	**355p**	3,244,064	355p
Granted during the year	**10,000**	**150p**	-	-
Forfeited during the year	**(129,660)**	**323p**	-	-
Outstanding at 31 March	**3,124,404**	**356p**	3,244,064	355p

2,864,106 share options were available for exercise at 31 March 2023 (FY22: 2,756,748). The weighted average remaining contractual life of share options and warrants at 31 March 2023 was five years (FY22: six 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.

	Exercise price (p)	Expected option life (years)	**31 March 2023 No. of options**	31 March 2022 No. of options
1 March 2016	222	10	**194,160**	223,820
2 August 2017	335	10	**240,000**	240,000
2 August 2017	393	10	**1,855,910**	1,855,910
21 August 2018	353	10	**-**	100,000
1 January 2019	368	10	**237,018**	237,018
26 September 2019	355	10	**100,000**	100,000
1 January 2020	333	10	**237,018**	237,018
1 January 2021	220	10	**250,298**	250,298
1 October 2022	150	10	**10,000**	-
			3,124,404	3,244,064

The closing price of the ordinary shares on 31 March 2023 was 199p and the range during the year was 99p.

22. Pension commitments
At 31 March 2023 there were no pension commitments (FY22: £Nil).

23. Related party transactions
There is no ultimate controlling party.

Transactions between the Company and its subsidiaries are as follows:

Provision of services from related parties

	31 March 2023 £'000	31 March 2022 £'000
Shift F7 Limited	**236**	62
Atomwide Limited	**137**	18
Comms Group Limited	**5**	15
Datrix Limited	**-**	3
	378	98

Provision of services to related parties

	31 March 2023 £'000	31 March 2022 £'000
Comms Group Limited	**221**	189
Atomwide Limited	**227**	149
Shift F7 Limited	**121**	179
	569	517

Amounts due to subsidiaries

	31 March 2023 £'000	31 March 2022 £'000
Datrix Limited	**-**	832
Atomwide Limited	**-**	1,834
	-	2,666

Amounts due from subsidiaries

	31 March 2023 £'000	31 March 2022 £'000
Comms Group Limited	-	1,512
Atomwide Limited	**2,395**	-
Shift F7 Limited	-	5,964
	2,395	7,476

Intra-group dividends of £22,111,759 were paid to AdEPT Technology Group plc from the subsidiary companies during the year (FY22: £Nil). These dividends are included in the Company profit for the year but are eliminated upon consolidation.

24. Capital commitments

At 31 March 2023 there were capital commitments of £Nil (FY22: £Nil).

25. Financial instruments

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

	2023		2022	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Loans and receivables at amortised cost				
Cash and cash equivalents	**4,143**	**2,469**	3,714	135
Loans and receivables	**13,318**	**7,442**	13,550	2,669
	17,461	**9,911**	17,264	2,804
Financial liabilities at amortised cost				
Liabilities at amortised cost	**51,068**	**48,836**	50,656	42,733
Financial liabilities at fair value				
Contingent consideration	-	-	4,434	4,434
	51,068	**48,836**	55,090	47,167
Amounts due for settlement				
Within twelve months	**42,901**	**41,115**	14,487	6,789
After twelve months	**8,167**	**7,721**	40,603	40,378
	51,068	**48,836**	55,090	47,167

The Company had a three plus one year £50m committed revolving credit facility agreement with NatWest and Bank of Ireland. The revolving credit facility bears interest at 1.85–3.25% over LIBOR on drawn funds, dependent upon the net debt to EBITDA ratchet. The facility is repayable in full on the final repayment date in March 2024, or March 2025 if the one year extension option is activated. Following the acquisition of the company by Thetis Bidco Limited the bank facility was fully repaid on 12 April 2023.

The financial assets of the Group 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.

NatWest and Bank of Ireland have 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 and fixed plant and machinery.

The banks also hold a charge over the life assurance policy of Ian Fishwick, director of the Company, for £1,500,000.

In August 2017 the Group raised £7,293,726 in the form of a convertible loan instrument from BGF to part fund the acquisition of Atomwide. The convertible loan instrument is excluded from the leverage calculations by the senior debt partners, NatWest and Bank of Ireland. The Group has applied the principles of IAS 32 and IFRS 9 in the recognition and measurement of the convertible loan. The net present value of the loan of £7,090,201 has been split between the debt and equity components and an amount of £1,158,317 has been recorded in equity, with £5,931,884 being included within long-term debt at the initial date of recognition.

BGF has the right to convert the loan to 1,855,910 ordinary shares at a share price of £3.93 per share at any time. The loan instrument can be redeemed by the Company from the third anniversary. The convertible loan instrument bears an interest rate of 7%. In addition, the transaction costs with a net present value of £203,525 are being recognised in the interest charge in the income statement across the term of the convertible instrument. The equity component of the convertible loan is included in the share option reserve in the statement of changes in equity and statement of financial position. Following the acquisition of the company by Thetis Bidco Limited the convertible loan instrument was fully repaid on 12 April 2023.

Below is a summary of liabilities arising from financing activities:

	Borrowings £'000	Convertible loan notes £'000	Leases £'000	Total £'000
At 1 April 2021	38,716	6,524	1,121	46,361
Cash flows – proceeds	500	-	-	500
Cash flows – repayments	(5,999)	-	(683)	(6,682)
Acquisitions – leases	157	-	256	413
Movement in accrued interests	(308)	204	(4)	(108)
At 31 March 2022	33,066	6,728	690	40,484
Cash flows – proceeds	5,250	-	-	5,250
Cash flows – repayments	(3,750)	-	(654)	(4,404)
Acquisitions – leases	-	-	1,105	1,105
Movement in accrued interests	(250)	228	129	101
At 31 March 2023	**34,310**	**6,956**	**1,270**	**42,536**

Sensitivity analysis

At 31 March 2023 it was estimated that a movement of 1% in interest rates would impact the Group's profit before tax by approximately £0.34m.

Interest rate risk

The Group's current interest rate policy is subject to ongoing review in line with the level of borrowings and potential interest risk exposure. At 31 March 2023, £7,293,726 of the Group's borrowings are at a fixed rate of interest (FY22: £7,293,726).

Credit risk

Credit risk associated with cash balances is managed by transacting with financial institutions with high quality credit ratings. Accordingly the Group'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 2023 was £17,461,467 (FY22: £17,264,198).

Loans and receivables

	2023		2022	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Trade receivables	**12,975**	**7,353**	13,493	2,664
Other receivables	**343**	**88**	56	4
Cash and cash equivalents	**4,143**	**2,469**	3,714	135
	17,461	**9,910**	17,263	2,803

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group does not have any significant credit risk exposure to any single counterparty.

The Group's provision matrix is as follows:

Year ended 31 March 2023	**Current £'000**	**<30 days £'000**	**31–60 days £'000**	**>60 days £'000**	**Total £'000**
Expected credit loss rate	**0%**	**1%**	**2%**	**17%**	**4%**
Gross debtors	**5,800**	**4,130**	**1,064**	**2,403**	**13,397**
Expected credit loss	**(12)**	**(19)**	**(16)**	**(375)**	**(422)**
					12,975

Year ended 31 March 2022	Current £'000	<30 days £'000	31–60 days £'000	>60 days £'000	Total £'000
Expected credit loss rate	0%	1%	1%	27%	2%
Gross debtors	10,657	1,548	562	1,094	13,861
Expected credit loss	(22)	(17)	(3)	(292)	(334)
					13,527

Liquidity risk

The Group has an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity risk management requirements. The Group 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.

Amortised cost

Year ended 31 March 2023	Within 1 year £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Borrowings	**34,308**	**7,318**	-	-
Trade and other payables	**8,171**	-	-	-
Future gross lease payments	**422**	**848**	-	-
	42,901	**8,166**	-	-

Year ended 31 March 2022	Within 1 year £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Borrowings	-	33,874	6,728	-
Trade and other payables	14,286	-	-	-
Future gross lease payments	524	243	-	-
	14,810	34,117	6,728	-

Currency risk

The Group's operations are handled entirely in sterling.

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group's objectives when managing capital are to safeguard the Group'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 Group's approach to capital management during the year.

As part of the banking arrangements, the Group is required to comply with certain covenants, including net debt to adjusted EBITDA and interest cover.

In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or sell assets (customer bases/relationships) to reduce debt.

26. Business combinations

On 1 December 2022 all asset and liabilities of Shift F7 Limited were hived up to the company, with all services provided by Shift F7 Limited are now being supported by a highly experienced enlarged team of professionals to provide greater resilience and depth of expertise.

Details of the fair value of the assets acquired at completion and the consideration payable:

	Book cost £'000	Fair value £'000
Intangible assets	17,187	15,143
Property, plant and equipment	393	393
Inventories	-	-
Trade and other receivables	7,796	7,796
Cash and cash equivalents	704	704
Trade and other payables	(22,716)	(18,633)
Income tax asset	(42)	(42)
Deferred tax	(1)	(1)
Net assets	**3,321**	**5,360**
Cash		-
Inter group dividends		(1,219)
Fair value total consideration		(1,219)
Goodwill		**4,141**

The trade and other receivables are all considered recoverable.

27. Subsequent events

On 11 April 2023 the entire issued share capital of the company was acquired by Thetis Bidco Limited. Immediately following the acquisition, all debt facilities and the convertible loan note were repaid in full on 11 April 2023. It is expected that all assets and liabilities of the company and its subsidiaries will be hived across to Wavenet Limited, a wholly owned subsidiary of Thetis Bidco Limited, during the year ending 31 March 2024.

The ultimate controlling party is Thetis Bidco Limited by virtue of its 100% shareholding.

28. Subsidiaries

The company has provided a guarantee in respect of the outstanding liabilities of the subsidiary companies listed below in accordance with Sections 479A – 479C of the Companies Act 2006, as these subsidiary companies of the Group are exempt from the requirements of the Companies Act 2006 relating to the audit of the accounts by virtue of Section 479A of this Act.

	Country	Registered office	Class of share	% shareholding	Description
AdEPT Technology Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant
AdEPT Telecom Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant
Centrix Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant
Comms Group UK Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant
Our IT Department Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant
BrightVisions Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant
Atomwide Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Trading
Shift F7 Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant
Shift F7 Group Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant
ETS Communications Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant
ETS Communications Holdings Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant
Advanced Computer Systems Group Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant
Advanced Computer Systems Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant
Datrix Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant
CAT Communications Limited	England & Wales	One Central Boulevard, Shirley, Solihull B90 8BG	Ordinary	100	Dormant

Company information

Directors
Ian Fishwick (resigned 11 April 2023)
Richard Bligh (resigned 11 April 2023)
Craig Wilson (resigned 11 April 2023)
Phil Race (resigned 11 April 2023)
John Swaite (resigned 11 April 2023)
Andy Lovett (resigned 11 April 2023)
Venetia Cooper (appointed 11 April 2023)
Emily Wise (appointed 11 April 2023)

Company number
4682431

Registered office
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