Redcentric plc

Annual Report and Financial Statements

Year ended 31 March 2021

Company Number 08397584

Contents

Strategic report

Highlights	1
Chairman's Statement	2
Chief Executive Officer's Review	4
Financial Review	8
Alternative Performance Measures	14
Strategy and Business Model	17
Section 172 Statement	18
Risk Management	20
Corporate Responsibility	22
Sustainability Reporting	26

Governance

Introduction to Governance	27
Corporate Governance	28
Board of Directors	34
Audit Committee Report	35
Directors' Remuneration Report	36
Directors' Report	41
Statement of Directors' Responsibilities	44

Financial Statements

Independent auditor's report to the members of Redcentric plc	45
Consolidated statement of comprehensive income	51
Consolidated statement of financial position	52
Consolidated cash flow statement	53
Consolidated statement of changes in equity	54
Notes to the consolidated financial statements	55
Company balance sheet	87
Company statement of changes in equity	88
Notes to the company financial statements	88

Directors and advisers	91

Highlights

Financial performance measures

	Year ended 31 March 2021 (FY21)	Year ended 31 March 2020 (FY20)	Change
Total revenue	£91.4m	£87.5m	4%
Recurring monthly revenue (RMR)	£81.9m	£77.6m	6%
Recurring revenue percentage	90%	89%	1%
Adjusted EBITDA[1]	£24.6m	£20.6m	19%
Adjusted operating profit[1]	£15.2m	£10.6m	43%
Reported operating profit/(loss)	£13.0m	£(8.7)m	n/a
Adjusted cash generated from operations[1]	£26.5m	£19.6m	35%
Reported cash generated from operations	£17.6m	£18.8m	(6%)
Net debt	£(15.6)m	£(34.5)m	(55%)
Adjusted net cash/(debt)[1]	£1.0m	£(13.3)m	n/a
Adjusted basic earnings per share[1]	7.23p	4.76p	52%
Reported basic profit/(loss) per share	6.01p	(7.14)p	n/a

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

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

For an explanation of the alternative performance measures used in this report and reconciliations to their most directly related GAAP measure, please refer to page 14.

Chairman's Statement

I am very pleased to introduce the Annual Report and Accounts for the Redcentric plc ("Redcentric" or "Company") group of companies (the "Group") for the financial year ended 31 March 2021 ("FY21").

OVERVIEW AND FINANCIAL RESULTS

The Chief Executive's review highlights considerable progress across all areas of the business in what has been a very eventful and unprecedented year. I am delighted to say that despite the pandemic, the business has made substantial progress in internal integration and optimisation, continuing to improve its talent base, increasing its focus on customer satisfaction and, above all, delivering on our financial targets.

The business has returned to growth with headline revenues increasing by 4.5% year on year, and recurring revenues growing by 5.5%, a result which is especially pleasing given the backdrop of COVID-19. The increase in revenue and the completion of efficiency programmes have together contributed to a more substantial increase in profits and margins, with adjusted EBITDA growing by 19.3% to £24.6m, representing a top sector decile adjusted EBITDA margin of 26.9%. Strong cash conversion, which is a constant feature of the business, has enabled the Company to fully repay its revolving credit facility and led to a reduction in net debt of £19m and a year-end cash balance of £5.3m. I am particularly proud that these excellent results are in line with the expectations that were set prior to the outbreak of COVID-19.

As well as achieving significant progress in financial and operational performance, this year marked a huge step forward for the Company with the conclusion of the FCA's investigation into historical financial misstatements ("FCA Investigation") and the completion of the resulting restitution scheme.

With the excellent financial performance, completion of historic acquisition integration programmes, and the removal of the FCA overhang, the Company is now ideally placed to embark on the next stage of its development and the strategy outlined in our interim results. In the current financial year we expect to start to grow the business by making acquisitions for both scale and capability.

DIVIDEND AND SHARE BUYBACK

Further to the business' good trading performance and strong cash generation, and the closure of the Restitution Scheme, the Board has decided to reinstate a progressive dividend policy. The Board is therefore recommending to shareholders the payment of a final dividend of 2.4p per share which, if approved at the Company's annual general meeting ("AGM"), will be paid on 17 September 2021 to shareholders on the register at the close of business on 6 August 2021.

As stated in November 2020, the Board will retain the option to selectively purchase shares on the open market as and when it believes it is appropriate.

BOARD CHANGES AND PEOPLE

I would like to give special thanks to the management team and employees for their hard work and dedication to progress the Company's performance during this difficult year. The transition to remote working was excellent, with employees continuing to provide a high level of service across the customer base and reacting positively to customer needs, by offering additional services as required to adapt to the pandemic or allowing payment plans for ongoing services. In turn, I am delighted that we chose not to take advantage of the government's furlough scheme or any other pandemic related government relief.

David Senior joined the PLC Board as Chief Financial Officer ("CFO") on 3 April 2020 replacing Dean Barber who resigned on the same date. David has had an excellent first year as CFO and has made a significant contribution to the success of the Company in this financial year.

On 28 April 2021 Steve Vaughan, Non-Executive Director, resigned from the board of directors of the Company (the "Board") and in July 2021 we announced the appointment of Helena Feltham to the Board. Helena brings a wealth of HR and people experience and will significantly strengthen the Board and the remuneration committee.

With historical issues fully resolved, the Company on a firm financial footing and embarking on its acquisition strategy, I believe that the Company would benefit from a chairperson with industry specific experience. With these results, I therefore announce my intention to stand down from the Board as soon as a suitable successor is appointed. I have very much enjoyed my time at the Company and am very proud of the team's achievements during my tenure. I am pleased to be leaving the business in a much improved and healthy position.

I would like to thank the Board for its support, hard work and dedication during this challenging year and during my tenure as chairman.

OUTLOOK

The transformation of the business over the last two financial year and these excellent results mean that the Company is now well positioned to establish itself as a market leader of IT managed services. The business' strong financial performance, integrated network and single operating platform put the Company in an excellent position to deliver its strategic objectives, including the completion of appropriate acquisitions of scale and capability.

Ian Johnson
Chairman
15 July 2021

Chief Executive's Review

Overview

The last financial year to 31 March 2021 was a period of very significant progress for Redcentric, despite the unique and many challenges presented by the COVID-19 pandemic. The business has had its best year yet in terms of financial performance with revenues growing organically by 4.5% and adjusted EBITDA margins increasing by 3.3% to 26.9%, resulting in a 19.3% increase in adjusted EBITDA to £24.6m. Cash generation continued to be excellent with adjusted net debt reducing by £19.0m, delivering an adjusted net cash position at the year-end before leases.

We reacted quickly to the COVID-19 pandemic and deployed most of our employees to remote working almost immediately following the outbreak. This was achieved with a minimal amount of disruption and our high levels of customer service were maintained throughout. We are pleased that we did not furlough any of our employees at any point during the pandemic, unlike many of our industry peers.

In June 2020, the Company announced that it had reached a settlement with the FCA in respect of historical accounting misstatements. As part of this settlement the Company launched a restitution scheme to compensate any net purchases of shares between 9 November 2015 (when the September 2015 interim results were released) and 6 November 2016 (when the discovery of the accounting misstatements was announced to the market) (the "Restitution Scheme").

The Restitution Scheme closed on 31 October 2020, with 82% of all potential claims settled through cash payments of £6.6m and the issue of 1.3m new shares.

The closure of the FCA Investigation and Restitution Scheme represented a pivotal event for the Company allowing management attention to be solely devoted to running the business. It also reopens FCA regulated sectors into which the business' products can now be sold.

During the year, the company disposed of a small part of the business that serviced four EDF nuclear power stations for a consideration of £5.75m. This single contract pre-existed from the Calyx acquisition and its disposal signifies another step forward in focussing the business on its core strengths and activities.

The significant achievements above coupled with the completion of the integration projects and the launch of a new ERP system means that the business is very well positioned for both organic and inorganic growth. Given our strong balance sheet and unique position in the UK listed market as a quoted managed services provider of scale, we expect to make targeted acquisitions moving forward as we continue to expand our customer reach and our product and solution portfolio to address the continued expansion in the cloud services market.

Business Performance

REVENUES

Revenues for the year are up 4.5% on last year with recurring revenues accounting for 90% of total revenues and increasing by 5.5% on the financial year ending 31 March 2020 ("FY20"). Despite a strong overall performance, the business has been impacted by delays to customers decision making since the breakout of COVID-19. At the start of the pandemic, we experienced an immediate impact on our sales pipeline with customers putting many large IT projects on hold. This position has persisted throughout the financial year but during the first half of the financial year we were extremely successful in replacing these opportunities with solutions that addressed the new COVID-19 environment, these include:

- A new secure remote access platform which was built from scratch within three weeks and was rapidly filled by customers requiring secure access to their mission critical systems.

- A new Call2Teams product was introduced enabling our customers' workforce to make calls from Microsoft Teams but routed through our Broadsoft IP telephony platform.

- Demand for additional bandwidth and HSCN connectivity was also high during this period.

In the second half of the financial year, we experienced less demand for these types of products and services and the second and third lockdown periods created further uncertainty and delays into the market. As the country continues to make good progress on its return to normality, we are slowly starting to see confidence build back up within the sector and are witnessing increased interaction with our existing and potential customers. Given typical prospect to revenue timescales we expect this to generate improvements in the second half of FY22.

FY21 was an encouraging year for new logos with more new names signed up in the last twelve months than in the previous three years. Sales to these customers were small initially but history shows that smaller orders generally develop into significant custom relationships over the long term.

SALES, SOLUTIONS AND CUSTOMERS

As we start to see an increase in activity within our pipeline we are actively expanding and strengthening our sales team which will also enable us to exploit opportunities previously closed to us because of the FCA investigation. Three new positions in commercial new business have been created and key roles in public sector new business and account management have been replaced. With proven and experienced individuals recruited, we expect to see a positive impact on the sales pipeline by H2 FY22.

During the period we have also been busy developing new products and solutions with ten new products being added to our portfolio. These products are spread across the solution towers and address gaps within our current product whilst also satisfying customers' increasing demand for more intelligent solutions and offerings.

In April we launched a new secure remote access platform specifically designed for compliant access to governed networks such as the HSCN with integrated multi factor authentication. In addition to this we increased the capability in our Secure SD WAN offering with both 5G capable cellular connectivity (for primary and secondary connectivity) and a customer management portal offering multi and co-managed policy delivery from a central location allowing automated, zero touch build capability and building towards an end to end, zero trust, security fabric roadmap.

Call2Teams, delivered in Summer FY21, offers customers a cost effective PSTN break out service from Microsoft Teams with added call recording, call routing and call reporting and providing a cost-effective alternative to Microsoft's in-built calling plans. Expanding and evolving our voice capability we also launched a highly flexible and scalable omni channel contact centre solution for companies of all sizes offering increased productivity, closer customer contact and improved service levels.

OPERATIONS

During H1 FY21 the network and data centre efficiency programme was completed, achieving final annualised cost savings of approximately £4 million, significantly ahead of the Company's expectations of £2.8 million when the programme was launched. As part of this exercise, three third party data centres in London have been vacated, three network platforms have been merged into one and our entire tail circuit estate has been validated. All this was done without incident and with minimal disruption to customers.

During the year the delivery function has been overhauled with a new position of Delivery Director created. This new hire was filled by an external candidate who has restructured the team bringing in two very high-quality recruits as his direct reports. A second wave of restructuring has resulted in 50% of the delivery team being replaced and all project staff being bought onshore. The team are currently working on implementing a new workflow software programme which will yield further benefits in FY22.

ENTERPRISE RESOURCE PLANNING ("ERP")

The implementation of the finance and operations module of Microsoft Dynamics 365 ("D365") on 5 October 2020 was a major accomplishment for the business, this module integrates seamlessly with the CRM module launched during the last financial year and provides the business with an end-to-end ERP system that replaces five legacy systems.

We are starting to see some of the many benefits that this system facilitates, functionally, we are seeing dramatically improved management information, which is consistent throughout the organisation and more practically, our cash collection has improved as we are able to issue invoices quicker and, in some cases, receive payment before invoices were issued on the old systems.

Refinements to the system and the processes that surround it are ongoing and we expect to see further productivity and efficiency benefits during FY22. Additionally, we expect to be able to improve our customers' experience through leveraging functionality within D365 and implementing significantly improved customer portals, which will enable customers to access account information and order standard products and services through a single pane of glass.

HR

During the period employee engagement has increased materially and the employee surveys provide clear evidence of the very significant improvement in this area. Our employees' mental health and welfare has been a crucial area of focus for the company. Multiple initiatives have been launched throughout the period to ensure our employees feel valued, appreciated, and remain an integral part of the business despite being isolated from colleagues. The company did not take part in the furlough scheme and all employees remained in full time employment.

Along with this great work the HR team also standardised all employment contracts, replacing numerous legacy contracts with one single contract. Work is currently underway to replace five legacy HR systems (Holidays, payroll, sickness, expenses, travel) with one fully integrated system. This will go live in stages over the next six months and will yield further efficiencies and improved management information.

ENVIRONMENTAL

The company remains cognisant of its responsibilities to protect the environment and has taken actions during FY21 to reduce its carbon footprint. During the year we undertook significant investment in new equipment to reduce power consumption in our data centre facilities. Since the installation of new chiller units into the Harrogate data centre we have seen consumption reduce by 6.5%

We continue to evaluate technologies that will reduce our carbon emissions further and are currently in the process of installing unused preowned air handling units into our Harrogate data centre, which is expected to reduce energy consumption associated with data centre chilling by c.5%.

CASH FLOWS

Strong cash flows continue to be a consistent feature of the business. During the year and despite growth in the business a positive working capital movement of £1.9m was achieved which helped to generate an adjusted operating cash flow of £26.5m. The share placing made as part of the restitution scheme generated cash of £5.8m which was offset by cash outflows in association with the scheme of £7.4m. During the year, the company repaid its revolving credit facilities in full and ended the financial year in positive bank debt position, reducing total net debt by £19.0m in the period.

Whilst the company initially took advantage of the government's VAT deferral scheme, this was repaid in full by 30 September 2020, and no further government schemes have been utilised in the period.

SALE OF NON-CORE BUSINESS UNIT

On 31 March 2021, the Company reached agreement with Thales UK Limited to sell the assets and knowhow required for the provision of maintenance services to four EDF nuclear power stations. Redcentric previously provided maintenance services direct to EDF under a ten-year contract (the "Contract") which expired on 31 March 2021. In the year to 31 March 2021, the Contract contributed £1m to revenue and £0.7m to EBITDA and operating cash flow.

Under the terms of the agreement, Thales will pay Redcentric a fixed consideration of £5.75m, payable in two instalments: £3.5m has been received on 30 April 2021 and £2.25m will be received on 30 September 2021. As part of the sale the five employees that previously worked on the Contract were transferred to Thales.

Summary and Outlook

We have had an extremely productive year with many historical issues addressed a return to revenue growth and the business now delivering sector leading EBITDA less capex margins. With no net bank debt, an efficient operating model, a new ERP system and fully integrated network and platforms, we are now ideally placed to pursue the next stage of the Company's development.

The results for FY21 are especially impressive given the backdrop of the COVID-19 pandemic and the fact that they are in line with the market expectations that were in place pre the outbreak of COVID-19. The many challenges associated with the pandemic were overcome, with customer service unaffected, no employees furloughed and without taking advantage of any other government support schemes.

Throughout the Covid-19 pandemic we have experienced customer delays regarding decisions on large-scale IT projects. The delays experienced throughout FY21 have continued into FY22 and hence we expect revenues and EBITDA in H1 FY22 to be broadly flat with modest growth returning in the second half of FY22 once the country returns to a more normalised position.

Acquisition opportunities for both scale and capability are a key part of our strategy, and we anticipate completing at least one acquisition during this financial year.

At the start of the new financial year, we have made significant investment to assist in the organic and inorganic growth of the business. Three new sales heads have been recruited in preparation for the return of large-scale project opportunities. In addition, we have recently appointed Oakley Advisory Limited as the Company's financial adviser and created a new senior position of Head of Corporate Development. Both appointments significantly strengthen our skills, and the additional resource makes us well placed to deliver the inorganic growth part of our strategy.

The integration and efficiency work carried out over the last two financial years provides an excellent platform and template for the integration of future acquisitions. Any scale acquisition would involve the merging of physical networks, the merging of network and operational platforms and a consolidation of data centre space. Our historical success in these areas therefore provides confidence in our ability to successfully integrate future acquisitions whilst deriving significant synergies.

Our strong profitability and cash flows, underpinned by 90% recurring revenues, enable us to maintain a progressive dividend policy whilst also pursuing our acquisition strategy.

We look forward to building on a very successful year with both optimism and confidence.

Peter Brotherton
Chief Executive Officer
15 July 2021

Financial Review
Financial performance measures

	Year ended 31 March 2021 (FY21)	Year ended 31 March 2020 (FY20)	Change
Total revenue	£91.4m	£87.5m	4%
Recurring monthly revenue (RMR)	£81.9m	£77.6m	6%
Recurring revenue percentage	90%	89%	1%
Adjusted EBITDA[1]	£24.6m	£20.6m	19%
Adjusted operating profit[1]	£15.2m	£10.6m	43%
Reported operating profit/(loss)	£13.0m	£(8.7)m	n/a
Adjusted cash generated from operations[1]	£26.5m	£19.6m	35%
Reported cash generated from operations	£17.6m	£18.8m	(6%)
Net debt	£(15.6)m	£(34.5)m	(55%)
Adjusted net cash/(debt)[1]	£1.0m	£(13.3)m	n/a
Adjusted basic earnings per share[1]	7.23p	4.76p	52%
Reported basic profit/(loss) per share	6.01p	(7.14)p	n/a

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

Overview

The business has performed extremely well during the year with all key financial performance measures moving in the right direction. With the business returning to revenue growth and the full effect of the efficiency programmes flowing through, both adjusted EBITDA and cash generation have been outstanding.

In addition to strong trading performance this year's accounts have been impacted by three non trading factors that have a material impact on the financial statements:

1. The sale of a non-core business unit was completed on 31 March 2021 for a fixed consideration of £5.75m, payable in two instalments: £3.5m on 30 April 2021 and £2.25m on 30 September 2021. This contract provided maintenance services to four EDF nuclear power stations and in FY21, this contract contributed £1m to revenue and £0.72m to EBITDA and generated £0.68m of operating cash flow. As part of the sale the five employees that previously worked on the Contract were transferred to Thales. Goodwill of £1.2m was disposed of.
2. The settlement reached with the FCA resulted in the Restitution Scheme being implemented with an estimated cost of £11.4m provided for in FY20. Total restitution payments of £8.4m were made, being satisfied by the issue of 1.3m new shares at a market value of £1.7m and cash payments of £6.7m. To part fund the restitution scheme and the associated £0.8m of advisory fees, £5.8m was raised from shareholders in July 2020 through an issue of 5.3m new ordinary shares.
3. On 27 August 2020, a modification to the London site lease was agreed with the landlord, incorporating a one-way break clause at March 2030, with the lease expiry date remaining unchanged at March 2040. The inclusion of this clause triggers a revision to the lease liability and right of use asset under IFRS 16. On 1 January 2021, a one-way break clause in the Cambridge site lease was not activated thereby extending the lease expiry date to August 2023. The impact of these modifications on the financial statements is to reduce both the lease liability and right of use asset by £3.8m and £4.2m respectively, a £0.2m increase in the dilapidation provision and a £0.6m exceptional charge in the period.

The key financial highlights are as follows:

- Total revenue increased by 4.5% to £91.4m (FY20: £87.5m). Recurring monthly revenue grew by 5.5% to £81.9m (FY20: £77.6m), representing 90% (FY20: 89%) of the total revenue.
- The Group reported profit before taxation of £11.5m in FY21 (FY20: loss of £10.6m). Adjusted EBITDA increased by £4m (19.3%) to £24.6m and adjusted operating profit increased by £4.6m to £15.2m, reflecting increased revenue and continued improvement to gross profit margin.
- Net debt at 31 March 2020 was £15.6m, including £15.1m of IFRS16 lease liabilities that were previously classified as operating leases under IAS17 and £1.5m of supplier loans.

Revenue

Revenue for the year ended 31 March 2021 was generated wholly from the UK and is analysed as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Recurring revenue	**81,897**	77,617
Product revenue	**5,072**	5,215
Services revenue	**4,430**	4,653
Total revenue	**91,399**	87,485

Revenue is analysed into the following categories:

- Recurring monthly revenue has increased to £81.9m (FY20: £77.6m), delivered by a combination of successful Health and Social Care Network (HSCN) connectivity implementations, and the installation of COVID-19 related services, which tend to have a shorter order to installation time lag.
- Non-recurring product revenue, which was lower at £5.1m (FY20: £5.2m), has been more volatile since the announcement of Brexit and more latterly COVID-19, both of which are causing customers to reconsider the timing of largescale IT investment decisions.
- Non-recurring services revenue was lower at £4.4m (FY20: £4.7m) due to delay in IT projects and site-access challenges due to COVID-19.

Gross profit

Gross profit increased by 5.0% (£2.8m) reflecting the Group's increased revenue and an improvement in gross margin to 63.4% (FY20: 63.1%). Of the £2.8m gross profit increase, £2.5m was achieved through revenue growth with the remaining £0.3m due to gross margin improvement. Of the 0.3% gross margin improvement, 1.3% is driven by the network restructuring programme which offsets 0.5% reduction due to the loss of high margin Crown Hosting contracts and 0.5% reduction due to slightly lower margins on services installed and churn on renewals.

Adjusted operating costs

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000	Change £'000	Change %
UK staff costs	**19,700**	19,738	(38)	0%
Office and data centre costs	**3,789**	4,393	(604)	(14%)
Network and equipment costs	**6,940**	6,680	260	4%
Other sales, general and administration costs	**1,428**	1,887	(459)	(24%)
Offshore costs	**1,502**	1,886	(384)	(20%)
Total adjusted operating costs	**33,359**	34,584	(1,225)	(4%)

Employees

	Year ended 31 March 2021	Year ended 31 March 2020	Variance
Year-end headcount			
UK	**295**	298	(3)
India	**100**	144	(44)
Total employees	**395**	442	(47)

Average headcount	Year ended 31 March 2021	Year ended 31 March 2020	Variance
UK	**294**	311	(17)
India	**126**	151	(25)
Total employees	**420**	462	(42)

Total adjusted operating costs for FY21 were 3.5% (£1.2m) lower than prior year, reflecting:

- office and data centre costs reduced by £0.6m, primarily reflecting the data centre restructuring programme;
- network and equipment costs increased by £0.3m, primarily due to increased software and licences costs a result of additional licencing to support the enhanced IaaS platform and a period dual running following the implementation of a new ERP system;
- other sales, general and administration costs down £0.5m, largely due to reduced travel and entertainment costs which have been impacted by COVID-19; and
- offshore costs reduced by £0.4m due to reduction in staff costs with the average number of employees reducing from 151 to 126 as a result of delivery restructuring.

Adjusted EBITDA

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported operating profit/ (loss)	**12,998**	(8,737)
Amortisation of intangible assets arising on business combinations	**6,252**	6,252
Amortisation of other intangible assets	**1,085**	1,197
Depreciation on tangible assets	**3,408**	6,373
Depreciation on ROU assets	**4,932**	2,441
EBITDA	**28,675**	7,526
Exceptional items	**(4,782)**	12,516
Share-based payments and associated National Insurance	**687**	562
Adjusted EBITDA	**24,580**	20,604

Adjusted EBITDA increased by 19.3% to £24.6m, £4.0m higher than prior year, reflecting growth in revenues, increased gross margin and the full year impact operational efficiencies largely delivered during FY20.

Taxation, interest and dividend

The tax charge for the year was £2.3m (FY20: £0.0m credit), comprising an income tax charge of £1.2m (FY20: £0.8m), a current year deferred tax charge of £0.8m (FY20: £0.8m credit) and a deferred tax charge in respect of prior years of £0.3m (FY20: £0.0m).

Net finance costs for the year were £1.5m (FY20: £1.9m), including £1.2m of interest payable on leases of which £1.0m related to leases previously recognised as operating leases under IAS17.

During the year, the Company paid an interim dividend for FY21 of 1.2p per share, totalling £1.9m.

A final dividend payment of 2.4p per share will be paid on 17 September 2021, subject to approval at the Company's Annual General Meeting. ~~The shares will have an ex-dividend date of 5 August 2021 and a record date of 8 August 2021.~~

Net debt

During the year, net debt reduced by £19.0m to £15.6m as at 31 March 2021, with the movements shown in the tables below:

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Adjusted EBITDA	**24,580**	20,604
Effect of exchange rates	**-**	13
Working capital movements	**1,881**	(970)
Adjusted cash generated from operations	**26,461**	19,647
Cash conversion	*107.7%*	*95%*
Capital expenditure – cash purchases	**(2,937)**	(4,233)
Capital expenditure – finance lease purchases	**(2,235)**	(2,402)
Proceeds from sale and lease back of assets	**1,036**	-
Net capital expenditure	**(4,136)**	(6,635)
Corporation tax	**(149)**	(660)
Interest paid	**(398)**	(610)
Loan arrangement fees/fee amortisation	**(17)**	(51)
Finance lease/term loan interest	**(1,017)**	(1,377)
Effect of exchange rates	**(27)**	(13)
Other movements in net debt	**(1,608)**	(2,711)
Normalised net debt movement	**20,717**	10,301
Lease liabilities adopted under IFRS 16	[illegible]	(23,013)
Cash costs of exceptional items	**(8,884)**	(817)
Remeasurement related to lease modification	**3,917**	-
Supplier loans	**(1,207)**	-
Share issues	**5,775**	-
Share buy-back	**-**	(724)
Sale of treasury shares	**494**	-
Cash received on exercise of share options	**36**	
Dividends	**(1,868)**	(2,731)
	(1,737)	(27,285)
Decrease/(Increase) in net debt	**18,980**	(16,984)
Net debt at the beginning of the period	**(34,549)**	(17,565)
Net debt at the end of the period	**(15,569)**	(34,549)

	As at 31 March 2019 £'000	Net cash £'000	Net non-cash flow £'000	As at 31 March 2020 £'000	Net cash flow £'000	Net non-cash flow £'000	**As at 31 March 2021 £'000**
Cash	7,206	(3,483)	(13)	3,710	1,567	(27)	**5,250**
RCF	(19,432)	7,000	(51)	(12,483)	12,500	(17)	**-**
Term Loan	(363)	212	-	(151)	212	(1,552)	**(1,491)**
Lease Liabilities	(4,976)	6,234	(26,883)	(25,625)	4,527	1,770	**(19,328)**
	(17,565)	9,963	(26,947)	(34,549)	18,806	174	**(15,569)**

Included in lease liabilities at 31 March 2021 are £15.1m of IFRS 16 lease liabilities that were previously classified as operating leases under IAS17 and £1.5m of term loans. Other movements reflect capital expenditure of £4.1m, £1.9m on dividends and £8.9m on exceptional items including £6.6m paid out under the restitution scheme partly funded through a £5.8m share issue.

During the year, the RCF was repaid in full and £12.5m of unutilised bank facility was cancelled, leaving a total facility at 31 March 2021 of £32m with a termination date of 30 June 2022. The facilities comprise a Revolving Credit Facility of £5m (£nil utilised at 31 March 2021) with a £20.0m accordion (£nil utilised at 31 March 2021) and a £7.0m Asset Financing Facility (£1.8m utilised at 31 March 2021).

Trade Debtors

In the year, focus remained on collecting legacy debt to improve the ageing profile. At the year-end, debt over 90 days old has reduced by 93% year on year, whilst debt greater than 180 days has reduced by 98%.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Current	**9,343**	10,993
1 to 30 days overdue	**600**	1,656
31 to 60 days overdue	**282**	593
61 to 90 days overdue	**21**	220
91 to 180 days overdue	**21**	288
> 180 days overdue	**1**	63
Gross trade debtors	**10,268**	13,813
Provision	**(1,104)**	(1,438)
Net trade debtors	**9,164**	12,375

Trade debtor days were 30 at 31 March 2021 compared to 38 at 31 March 2020.
Trade creditor days were 37 at 31 March 2021 compared to 40 as at 31 March 2020.

Financing

	31 March 2021			31 March 2020		
	Available	**Drawn**	**Undrawn**	Available	Drawn	Undrawn
	£'000s	**£'000s**	**£'000s**	£'000s	£'000s	£'000s
Committed						
- Revolving credit facility	**5,000**	**-**	**5,000**	17,500	12,483	5,017
- Term Loans	**1,491**	**1,491**	**-**	151	151	-
- Leases	**19,328**	**19,328**	**-**	25,625	25,625	-
	25,819	**20,819**	**5,000**	43,276	38,259	5,017
Uncommitted						
- Bank overdraft	**-**	**-**	**-**	5,000	-	5,000
- Accordion facility	**20,000**	**-**	**20,000**	20,000	-	20,000
- Asset financing facility	**5,190**	**-**	**5,190**	3,853	-	3,853
	25,190	**-**	**25,190**	28,853	-	28,853
Total borrowing facilities	**51,009**	**20,819**	**30,190**	72,129	38,259	33,870

Uncommitted facilities represent facilities available to the Group but which can be withdrawn by the lender and hence are not within the Group's control. When the asset financing facility is utilised a lease is created and hence there is no committed asset financing facility.

During the year, the Group cancelled £12.5m of unutilised facility reducing the committed level from £17.5m to £5.0m and thereby saving £95k in annualised commitment fees.

David Senior
Chief Financial Officer
15 July 2021

Alternative Performance Measures

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

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

Recurring monthly revenue

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported revenue	**91,399**	87,485
Non-recurring revenue	**(9,502)**	(9,868)
Recurring revenue	**81,897**	77,617

Recurring revenue makes up 90% of total revenue in FY21, an increase of 1% from prior year (89%).

Maintenance Capital Expenditure

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported capital expenditure incurred	**4,522**	6,922
Customer capital expenditure incurred	**(1,927)**	(2,470)
Maintenance capital expenditure incurred	**2,595**	4,452

Of the £4.5m capital expenditure incurred, £2.9m was paid in cash during the year. Following the completion of network and platform upgrades in FY20 maintenance capital expenditure has reduced by £1.8m to £2.6m. We will continue to monitor the businesses capital requirements and invest in the business when appropriate.

Customer capital expenditure has decreased by £0.5m to £1.9m reflecting the delay in large scale IT projects.

Adjusted EBITDA

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported operating profit/(loss)	**12,998**	(8,737)
Amortisation of intangible assets arising on business combinations	**6,252**	6,252
Amortisation of other intangible assets	**1,085**	1,197
Depreciation on tangible assets	**3,408**	6,373
Depreciation on ROU assets	**4,932**	2,441
EBITDA	**28,675**	7,526
Exceptional items	**(4,782)**	12,516
Share-based payments and associated National Insurance	**687**	562
Adjusted EBITDA	**24,580**	20,604

Adjusted EBITDA increased to £24.6m, £4.0m higher than prior year, with adjusted EBITDA margin of 27% (up from 24%). Of this increase, £2.5m relates to revenue growth and £0.2m relates to gross margin improvements with the remaining increase representing operational efficiencies.

Adjusted operating profit

Adjusted operating profit is operating loss excluding amortisation on acquired intangibles, exceptional items and share-based payments. The same adjustments are also made in determining the adjusted operating profit margin and in determining adjusted earnings per share ("EPS"). The Board considers this adjusted measure of operating profit to provide the best metric of assessing underlying performance as it excludes exceptional items and the amortisation of acquired intangibles arising from business combinations which varies year on year dependent on the timing and size of any acquisitions.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported operating profit/(loss)	**12,998**	(8,737)
Amortisation of intangible assets arising on business combinations	**6,252**	6,252
Exceptional items	**(4,782)**	12,516
Share-based payments	**687**	562
Adjusted operating profit	**15,155**	10,593

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

Adjusted operating costs

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported operating expenditure	**49,448**	63,925
Depreciation ROU assets	**(4,932)**	(2,441)
Depreciation of tangible assets	**(3,408)**	(6,373)
Amortisation of intangibles arising on business combinations	**(6,252)**	(6,252)
Amortisation of other intangible assets	**(1,085)**	(1,197)
Exceptional items	**4,782**	(12,516)
Other operating income	**(4,507)**	-
Share-based payments	**(687)**	(562)
Adjusted operating expenditure	**33,359**	34,584

Adjusted cash from operations

Adjusted cash from operations is reported cash from operations plus the cash cost of exceptionals.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported cash from operations	**17,577**	18,817
Cash costs of exceptional items	**8,884**	817
Adjusted cash from operations	**26,461**	19,634

Adjusted net cash/(debt)

Adjusted net cash/debt is reported net debt less supplier loans and less lease liabilities that would have been classified as operating leases under IAS 17.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Reported net debt	**(15,569)**	(34,549)
Supplier loans	**1,491**	151
Lease liabilities that would have been classified as operating leases under IAS 17	**15,058**	21,057
Adjusted net cash/(debt)	**980**	(13,341)

David Senior
Chief Financial Officer
15 July 2021

Strategy and Business Model

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

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

Redcentric seeks to differentiate itself in three distinct ways:

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

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

The Board's strategy for growth comprises:

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

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

Section 172 Statement - Our Stakeholders

The Board recognises its duty to consider the needs and concerns of the Group's key stakeholders during its discussions and decision-making. The Board has had regard to the importance of fostering relationships with its stakeholders as set out below and also detailed in the Strategic Report and Corporate Governance Report of this Annual Report. More information on how the Directors have discharged their duties under section 172 of the Companies Act 2006 is also available in the Strategic Report on pages 1 to 26 and Corporate Governance Report on pages 27 to 44.

Colleagues

- Colleague briefings – monthly colleague briefing sessions are held with the Operating Board to enable colleagues to ask questions and raise issues and for colleagues to be provided with updates on the business.
- Performance updates - key performance information such as trading updates and financial results are always promptly communicated to colleagues.
- Newscentric - Company information and new product launches are communicated to employees through a number of means, including via Newscentric, our colleague newsletter, which is issued every two months.
- Colleague survey - colleagues were surveyed for the first time in a number of years in FY20 and an action plan has been developed in response to some of the key themes coming out of that. A further "pulse" survey was undertaken in December 2020 to track the effectiveness of the action plan and to take a temperature check of engagement levels.
- Learning management - an online learning management system has been operational over the last twelve months and has become an established tool, providing access to online training.
- Performance management portal - a Group-wide online objectives and feedback system has been in place for the last year and a new approach to year end performance and development reviews has been introduced.
- Colleague recognition – the Company's core values have been embedded into the Group's new Colleague Recognition Scheme – The Extra Mile Awards.
- COVID-19 - as a result of the pandemic the Group run a survey to assess how colleagues were managing operating from home. The Group has also introduced a number of wellbeing initiatives for colleagues over the last 12 months.
- New vision, mission and values - these have been developed in consultation with colleagues to align all colleagues to a common vision, mission statement and set of core values.
- Share schemes - the Company has in place a Save As You Earn Option Plan to enable colleagues to become personally invested as shareholders of the Group.
- Further information is included in the Corporate Responsibility section on page 22 and in the Corporate Governance Report on pages 27 to 44.

Customers

- Monthly newsletter - an electronic newsletter is sent out in the final week of every month to the primary and technical contacts within the customer database to communicate key announcements, thought leadership material and new solutions customer advocacy.
- Customer surveys - a quarterly net promoter score (NPS) survey is carried out to gain customer feedback and test customers' opinions on service experience. A key service improvement plan is developed from the results of the survey following discussion of the outputs at management level. The implementation of the new ERP system in FY21 has allowed for surveys to be carried out through an improved "Voice of the Customer" tool and this is also regularly used for one-off surveys to capture feedback in relation to specific solutions.
- Monthly and quarterly service reviews - regular service reviews with customers are led by Service Delivery Managers and Account Managers, focused on service experience and opportunity identification.
- Daily social media updates – at least daily updates are provided through the Company's corporate social media channels (LinkedIn, Twitter and Facebook) and contain key updates and customer case studies. These are shared by customer facing employees to ensure as wide a reach as possible to keep customers appraised of the Company's news and offering.
- Customer scoring – within the Group's support systems the Group reaches out to customers to score the support service they have received, with follow up actions taken by the support team based on each customer's score and requirements.

Suppliers

- The Board is committed to building trusted partnerships with the Group's suppliers, which are crucial to delivering many of our commitments. Through these partnerships, the Group delivers value and quality to its customers, and helps its partners to develop and grow.
- The Group has in place a programme which ensures regular engagement and communication with all suppliers but particularly key strategic partners, including an annual review and other regular check-ins which include all relevant departments across the Company.
- The Company has given additional focus to its cloud and security suppliers to meet changes and recent trends in customer requirements.
- The Company has put focussed effort in working with suppliers to review their contractual terms including terms and conditions of trading, modern slavery processes, anti-bribery compliance and ISO requirements.
- Some of the Group's strategic partnerships are listed below:
  - Microsoft - Cloud Productivity (GOLD) Cloud Platform (GOLD) Datacentre (SILVER); Application Development (SILVER); Application Integration (SILVER); Collaboration and Content (SILVER);
  - Cisco - GOLD;
  - HPe - Silver PRSP (Partner Ready Service Provider);
  - Citrix - CSPP (Citrix Solutions Provider Programme); and
  - Veeam partner.

Shareholders

- Analysts and investor meetings - the Chief Executive Officer and Chief Financial Officer hold analyst and investor roadshows meetings throughout the year, particularly following the release of the Company's interim and full year results and feedback from those meetings is shared with the Board. In FY21, a full schedule of roadshows took place remotely.
- The AGM is a key opportunity for engagement between the Board and shareholders, particularly private shareholders. In FY21, a face-to-face AGM could not take place but shareholders were given the opportunity to submit questions for the Board ahead of the AGM and answers to such questions made available on the Company's website.
- Annual Report and Accounts - the Group's annual report and accounts is made available to all shareholders both online and in hard copy where requested.
- Group website - all presentations and announcements and other key shareholder information is available on the investor section of the Group's website.
- Further information is included in the Corporate Governance Report on pages 27 to 44.

Environment

- The Company has maintained its ISO 14001:2015 environmental management accreditation, through which it manages the environmental aspects of the business, fulfils legal and regulatory requirements, and identifies risk and opportunities for improvement. In FY21 the Group introduced a compulsory training module for employees on the Group's Learning Management System in order to increase awareness of the Company's environmental impact and actions.
- As part of implementing and maintaining the ISO 14001 Environmental Management System, the Group has identified the significant environmental aspects of the business, driving the objectives of reducing energy use, company travel and the use of paper and consumables.
- In FY21, the Group has taken actions to reduce its carbon footprint and continues to evaluate technologies to reduce carbon emissions. Significant investment has been made in new equipment to reduce power consumption in the Group's data centre facilities and the Group is in the process of installing unused preowned air handling units into its Harrogate data centre. The Group has also introduced movement centre lighting in its offices and data centres.
- Travel reduction in FY21 was aided by the COVID-19 pandemic but has in any event been a focus area, with working patterns reviewed in such a way to positively impact environmental performance.
- The move to having a paperless office working environment has also been aided by the pandemic and has significantly reduced the Group's environmental impact and this project will be completed in the coming year.
- Projects have been initiated to create assessment criteria and a formal process for evaluating the reusability of "end of life" equipment to enable proper allocation and measurement of WEEE (Waste Electrical and Electronic Equipment Waste) by the Group.
- Further information is included in the Sustainability section of the Report on page 26.

Risk management

The Redcentric risk framework enables a consistent approach to how we identify, manage and monitor risks across everything that we do and allows us to underpin our company values and strategies for success.

We have recently implemented enhancements to our risk framework to allow the leadership team to have a higher level of confidence, increased knowledge and capability to seamlessly deliver our strategies and maintain continued focus on our customers.

How do we manage our risks?

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

Management oversight is performed bi-weekly, monthly and quarterly at the various levels, agreeing actions, priorities or acceptance through relevant joint forum attendance.

COVID-19

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

TRADING RISK

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

LIQUIDITY RISK

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

RISK OF LOSS OF EFFICIENCY

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

RISK TO IT & SECURITY

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

MITIGATING ACTIVITIES

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

On the 1st March 2021 the Company repaid its revolving credit facility in full and ended the year with positive bank debt and the Group is cash-generative. An undrawn facility of £5m remains in place until 30th June 2022..

Our principal risks

Market and economic conditions

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

Technology and cyber-security

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

Competition and market pressures

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

Business continuity

The Board believes that one of the key differentiators that Redcentric offers is that its services are provided over its own controlled and managed infrastructure, such as its own networks and data centres. Whilst this provides customers with comfort around resilience and reliability, the Group is also exposed to a variety of risks to business continuity through infrastructure failure, loss of physical site, logical access failures and impact to its people. A critical element of Redcentric's operating methodologies and procedures is to mitigate such risks through the careful construction, maintenance and management of all elements of Business continuity, adhering to industry standard methodology. Operating regular externally audited exercises, maintaining continuity plans across all areas alongside our fully resilient technical landscape with regular testing of back-up and recovery plans.

Loss of major contract

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

Environmental impact

The physical impacts of climate change and the actions taken by governments and society to try and limit global warming may impact our ability to conduct business and secure assets. As our customers seek to reduce their own emissions, demand for our propositions and services may also change, the Board recognises the importance of our corporate responsibilities to do everything possible to reduce the impact Redcentric has on the environment. The Group is managed to a recognised environment management standard and maintains an annual set of environmental objectives to measure and maximise power efficiency across sites, reduce business travel, reduce use of paper and physical peripheries, reduce waste and has introduced a proactive carbon offset initiative.

Brexit

The Board has assessed the impact of Brexit on the Group and do not believe it represents a material risk to the Group.

Corporate responsibility

Our Colleagues

Throughout FY21 the response of each and every one of our colleagues to the COVID 19 pandemic has been outstanding, ensuring that our customers had the products and solutions in place quickly to adapt to the changing working landscape, whilst also adapting to new ways of working themselves. Our colleagues sit at the heart of our business and are critical to our success moving forwards and I am pleased that we have made a number of key investments in our people propositions over the last 12 months and will continue to do so over the year ahead.

Our customers have recognised the solutions, and service they have received over the last 12 months and we continue to receive positive feedback on the support our colleagues provide.

Through FY21 we have also continued the work started In FY19 and 20 to re-shape our business and we have made a number of internal changes to ensure we are best set up to deliver great service to our customers, including the onshoring of all delivery resource to the UK team.

Over the last 12 months we have also continued to simplify our employment proposition and have undertaken a terms and conditions harmonisation programme. This programme saw all colleagues move to a standardised contract with aligned terms and conditions following historic differences as a result of previous acquisitions.

I would personally like to thank each and every one of our colleagues for the significant efforts they have made over what has been an unprecedented year, especially given the challenges of adapting to remote working whilst also managing home and family commitments over this period. Everyone has shown huge commitment to both our business and our customers working together across teams to deliver. I would especially like to thank those colleagues who have continued to operate from the office or from our customers sites to ensure we maintained our high levels of delivery for our customers.

HAVING A SAY ON WHAT MATTERS

In FY20 we launched our first All Colleague Opinion Survey to ensure our colleagues had the opportunity to have their say on their working experiences at Redcentric. We listened to their feedback and have been progressing a number of colleague initiatives over the last 12 months as part of our response to this feedback.

As a direct result of the feedback we received we have launched the following initiatives:

- Our new company vision, mission and values
- A new on-line learning management system to support our colleagues development
- A new on-line performance and development system to ensure all colleagues are clear about their objectives and have the opportunity to have great performance and development conversations and receive timely feedback from both colleagues and peers
- A more flexible working week with an early finish on a Friday
- A new internal communications strategy with monthly all colleague calls, our new colleague newsletter 'Newscentric', weekly colleague shout outs and set up a Colleague Communication Forum
- Our Extra Mile recognition scheme which recognises the outstanding contribution of our colleagues on a monthly basis

Over the last 12 months we have increased our employee engagement from 68% to 71% and we believe it is critical to continue listening to our colleagues on an on-going basis. We ran a temperature check survey in December 2020 which showed significant improvements in all areas surveyed and has enabled us to further develop our action plans for FY22. Our commitment is to continue to listen to our colleagues and evolve our people plans accordingly.

WELL-BEING

Whilst a priority before, the importance of ensuring the well-being of every colleague has come even more to the forefront over the last 12 months and we are committed as a business to ensuring we provide support for all colleagues in a variety of different ways.

We have trained 23 colleagues from across our business to become qualified Mental Health First Aiders and this has been communicated widely across the business and ensured that all colleagues have easy access to our Employee Assistance Programme.

In addition to the options we have put in place to protect our colleague's mental health, we have also been focused on running a number of internal campaigns to provide additional support including:

- Set up of a wellbeing teams channel
- Weekly yoga and mindfulness workshops delivered by qualified instructors
- Weekly colleague quizzes
- Weekly coffee shop dials in
- Photo and caption competitions
- Tea & Talk & Sleep awareness days
- Regular check in surveys

Well-being will continue to be a priority for the business over the year ahead and we will be working closely with our colleagues to support them back into the workplace over the coming months once safe to do so.

EQUALITY AND DIVERSITY

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

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

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

GENDER DIVERSITY

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

	Male	Female	Total
Executive Directors	2	0	**2**
Ops Board	4	2	**6**
Senior managers	9	5	**14**
Other employees	305	93	**398**
Total average headcount	**320**	**100**	**420**

GENDER PAY REPORT

Our gender pay report at the snapshot date of 5 April 2020 showed that the overall difference between men and women's earnings at Redcentric was 24% (mean).

This shows an improvement on the April 2019 figures, however like most organisations in our industry, our gender pay gap is driven by a continued imbalance of male and female colleagues at different levels across the organisation. 62% of females in our business sit within the two lowest pay quartiles of the business which has negatively impacted our gender pay gap.

This was an expected outcome given the focus we have put on building female representation through targeted recruitment, an increase in apprenticeship programmes and internal development to build a longer-term pipeline of females within our business. We are confident that this will change as we continue to focus on development and progression opportunities for the future.

APPRENTICESHIP PROGRAMME

Over the last 12 months we have also increased our investment in apprentice programmes across differing areas of our business for both new joiners into our business and existing colleagues. These programmes have focused on building a pipeline of talent into our business to support a number of our functions, including customer services, finance, procurement, project management and engineering and we have 12 apprenticeship programmes currently underway. We are working more closely than ever with local schools and apprentice providers to increase visibility of these opportunities. This is an area we are committed to maintaining and growing given the benefits to our local communities.

Our first Future Leaders Programme has now concluded with 5 colleagues successfully gaining Level 3 Team Leader qualifications. Based on the success of this programme we will be running a further Team Leader and Manager programme in FY22.

We are also working closely with local schools and colleges to support work experience opportunities and educational events and will be supporting a number of careers events later this year. Work has commenced on the design of a Graduate Programme which we plan to launch in the second half of FY22.

SHARE SCHEME

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

The most recent grant was made on 3rd September 2020, with the Company granting options over a total of 521,782 ordinary shares. These options are available for exercise from 1 October 2022, with an exercise price of 119.60p.

As at 31 March 2021, the following options were outstanding under the plan:

Grant date	Exercise price (p)	Opening options	Options granted	Options exercised	Options lapsed / cancelled	Options remaining
30 August 2017	63.0p	845,973	-	(843,116)	(2,857)	-
21 August 2019	63.1p	479,785	-	(3,169)	(31,061)	445,555
02 September 2020	119.60p	-	521,782	(6,020)	(49,665)	466,097
Total	n/a	1,325,758	521,782	(852,305)	(83,583)	911,652

COVID-19

Our transition to working remotely has been incredibly successful and we have ensured our colleagues have the tools, technology and support to operate effectively from home. We have through the launch of our new communications strategy ensured that we have kept connected to all our colleagues over the last 12 months both in the UK and India.

We have undertaken a number of surveys to ensure our colleagues have the right support in place both from the Company and their Managers and have developed a specific well-being strategy to safeguard the well-being of all our colleagues.

Our offices have been adapted to ensure compliance with COVID-19 guidelines and we are currently planning a safe return to our offices from July 2021 to enable our colleagues and teams to re-connect. We are reimbursing all of our Indian colleagues for the cost of vaccination.

The recent colleague pulse survey showed 94% advocacy from our UK based colleagues in the actions we have taken and the way we have managed through the COVID-19 pandemic.

Given the success of remote working and how our colleagues have responded to this over the last 12 months we will be changing our future working approach. Our plan is to move to a hybrid working model once we have completed a return to the office, with colleagues wherever possible being given the opportunity to work from home 2 days a week.

We are also really pleased to re-confirm that as a business we have not made use of the government's furlough scheme, choosing instead to focus our colleagues on providing outstanding support for customers and accelerating the delivery of key strategic objectives over the last 12 months. This has given us a strong foundation for the year ahead.

Charitable activity

Despite the lockdown restrictions, throughout 2020 and early 2021 we have taken part in numerous virtual charity challenges and fundraising events.

- Recently we asked colleagues to support a Yorkshire Easter Egg Appeal for the Yorkshire Children's Trust and together we donated over 120 easter eggs which were distributed across the county to children in need.
- 10 Million Step Challenge – in May and June 2020 all colleagues had the opportunity during the first lockdown to record 'steps' walked, run and distanced cycled. We raised a total of £1,356 for the NHS charities.
- We've continued to support Sue Ryder Wheatfields Hospice and in 2020 reached an amazing milestone with them. Since 2017, we've donated a total of £20,400.90 through monthly pay day raffles and fundraisers.
- In August 2020, we took part in 'Boycott Your Bed' for Action for Children, raising £450 for vulnerable children in the UK. This involved our colleagues camping out in an unusual location for the night, whilst taking part in a live streamed event.
- A 'virtual coffee morning' was held for Macmillan and we raised an amazing £338.
- We raised £640 in November for Children in Need by sponsoring the Annual Duck Race online and wearing our onesies to work for the day.
- For our Christmas Charity Challenge in 2020 we asked colleagues to donate Christmas gifts for local children who would otherwise not receive anything on Christmas day. This was a great success, and we had a whole meeting room full of presents to distribute out to children in Yorkshire.

Once the COVID-19 restrictions are lifted further, we are looking to arrange team-building volunteering days for colleagues to take part in, supporting local communities with various projects.

We also continue to support local volunteering activity and fund raising by encouraging all colleagues to use their day's paid volunteering albeit this has proved more challenging locally given the COVID-19 pandemic.

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

Health & Safety

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

Our response to the COVID-19 pandemic has clearly been a priority and we have been committed to ensuring the safety of all our colleagues and customers over the last 12-months.

All colleagues who are able to have been working from home since the start of the pandemic and we have introduced guidelines for any colleagues in the office and for any visitors to the office in line with the working safely during coronavirus guidelines. Engineers visiting customer sites for essential activities have all been provided with PPE and have been given the appropriate tools to conduct COVID-19 risk assessments ahead of any site visits to ensure their on-going safety.

Our offices have been adapted to ensure we are able to maintain the current social distancing guidelines and additional cleaning measures, temperature checking, and cleaning/sanitiser stations have been put in place.

We are working closely with our colleagues to ensure we achieve a safe return to the office once the Government guidelines change and in the interim we will continue to adhere to all guidelines in place as we have done over the last 12-month period.

Sustainability reporting

Environmental management

Implementing and maintaining the ISO14001 Environmental Management System has allowed Redcentric to identify the significant aspects of its business, driving the objectives in the first three years of certification to reduce energy use, company travel and the use of paper and consumables.

We have progressed from the initial baselining of metrics, in the first year, to a commitment of undefined reduction in the second year, whilst the third year targeted a reduction of 3%.

Annual Reductions

	Year ended 31 March 2020 to Year ended 31 March 2021	Year ended 31 March 2019 to Year ended 31 March 2020
Electricity Usage	43%	14%
Company car mileage	69%	41%
Paper	79%	24%

Carbon footprint

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, we report on our greenhouse gas ("GHG") emissions as part of the Strategic Report.

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

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

The emissions for FY21 and FY20 have been externally verified by Energy Management Limited.

		Year ended 31 March 2021	Year ended 31 March 2020
Scope 1	Thousand tonnes of CO_2e	**52**	0
Scope 2	Thousand tonnes of CO_2e	**4,639**	5,182
Scope 3	Thousand tonnes of CO_2e	**26**	275
Total emissions	Thousand tonnes of CO_2e	**4,717**	5,457
Total energy consumption in the UK	Thousand kWh	**20,204**	21,426

The most appropriate intensity metric for calculating the ratio is considered to be the floor area of the occupied office buildings and spaces.

Floor area weighted values

Year ended 31 March 2021			Year ended 31 March 2020		
m^2	**kWh/ m^2**	**tCO_2e/ m^2**	m^2	kWh/ m^2	tCO_2e/ m^2
8,856	**2,281**	**0.53**	8,856	2,419	0.62

The Strategic Report on pages 1 to 26 is signed on behalf of the Board by

Peter Brotherton
Chief Executive Officer
15 July 2021

Introduction to Governance

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

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

Ian Johnson
Chairman
15 July 2021

Corporate Governance

Governance Principle	Application
Principle 1 Establish a strategy and business model which promotes long-term value for shareholders	The Group's business model and strategy is discussed within the Chief Executive's Review on pages 4 to 7 and also on page 17. Details of the key risks and challenges facing the Group and the high-level management of such are outlined on pages 20 to 21. Following the overhaul of the Group's risk register last year, this year a new senior owner has been assigned to manage the register. As a result there is now regular group wide engagement with and review of the register by all senior managers, with individual departmental registers being maintained and feeding into a master register and corporate register. The corporate risk register is shared and refined with the Audit Committee and Board at key intervals in the year.
Principle 2 Seek to understand and meet shareholder needs and expectation	The Group is committed to engaging with its shareholders to ensure that the strategy and business model are clearly shared and understood. The Board believes that the disclosures of this Annual Report and Accounts provide information necessary for shareholders to assess the Group's performance, business model and strategy. Hard copies of the Annual Report and Accounts are issued to all shareholders that have requested them and copies are also available on the Group's website. The Group's half year report is also available on the Group's website and the Group makes full use of the website to provide information to the shareholders and other interested parties. The Executive Directors are in regular contact with the Company's shareholders and brief the Board on feedback and any shareholder issues. In FY21, remote investor briefings and roadshows were held at regular intervals, including following announcement of the preliminary and interim results, and other ad-hoc one-to-one meetings with key investors and potential investors were also held through the year to discuss the Group's strategy and shareholder expectations, amongst other things. There is also regular dialogue with shareholders through the Company's corporate brokers, finnCap Limited, who keep the Board abreast of shareholder expectations and reactions. Any reports from analysts that refer to the Company or cover the sector are circulated to the Board ~~to support their understanding of the views of the investment community. finnCap, as broker,~~ provides feedback directly to the Board from shareholder meetings and events such as the investor day. An update on key shareholding changes and any relevant investor sentiment is also provided in each Board report and Board meeting. There is an increasingly well-utilised dedicated investor relations contact email address by which shareholders or investors may contact the Company (investorrelations@redcentricplc.com) and the Company Secretary also deals with a number of written queries throughout the year along with the Company's registrar, Link Asset Services. The Chairman and other non-executive directors will always make themselves available to shareholders. The AGM is a key opportunity for this, with shareholders being given the opportunity to raise questions during the AGM and the Board being available both prior to and after the meeting for further discussion with shareholders. We are keen to welcome shareholders in person to our AGM this year, particularly given the constraints we faced in 2020 due to the COVID-19 pandemic. At the time of writing this Report, it is possible under guideline for us to hold the AGM in person. We are therefore proposing to hold the AGM in person and to welcome the maximum number of shareholders we are able within safety constraints and in accordance with government guidelines. However, the Company will continue to monitor the impact of COVID-19 and how government guidance may change restrictions or implement further measures relating to the holding of general meetings. If it becomes necessary or appropriate to revise the arrangements, further information will be made available on the Company's website at www.redcentricplc.com and by RIS announcement.

	In any event, once again, to ensure that shareholders have the ability to ask questions of the Board, the Board shall accept any questions relating to the business being dealt with at the AGM which are submitted by shareholders in advance to the Company. Any such questions should be sent to investorrelations@redcentricplc.com so as to be received by no later than 5 p.m. on Friday 3 September 2021 and the Company will publish questions and responses on the Group's website in advance of the AGM. The voting record at the Company's general meetings is monitored and we are pleased that all resolutions were passed by shareholders at the 2020 AGM.
Principle 3 Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Board recognises that the long-term success of the business relies on its customers and colleagues as described on pages 4 to 7 and pages 22 to 25 and that engagement with these key stakeholders is fundamental to helping the Board make the best business decisions. **COLLEAGUES** The dedication and skill of the colleagues is fundamental to the Group's operation and success and, as such, we are committed to colleague engagement and listening to and acting on feedback from colleagues. Following on from the appointment of a new HR Director in FY20 the Group has taken strides to ensure it is a great place to work. Further to the launch of the first colleague engagement survey for many years in FY20, a number of key initiatives were launched in the year including new Group vision, mission and values, a new online learning management system, a new online performance and development system, a more flexible working week (with an early Friday finish) and a new colleague recognition scheme. A new internal communication strategy has also been launched, with monthly all colleague calls, a new colleague newsletter, weekly colleague "Shout Outs" and a new Colleague Communication Forum. Colleague wellbeing has been placed at the forefront of the Group in FY21 with a commitment to the provision of support for colleagues in a variety of ways, including the training of a number of colleagues to become qualified Mental Health First Aiders, weekly yoga and mindfulness workshops led by qualified instructors, regular check-in surveys, weekly quizzes and remote "coffee shops" and Tea and Talk and Sleep awareness days. As detailed on page 24 the Group also has in place a Save As You Earn Option Plan to enable colleagues to become personally invested as shareholders of the Company. In FY21, the Company granted options over a total 521,782 ordinary shares under this scheme. **CUSTOMERS**
	The Group's extensive customer services, which are detailed on the Group's website at https://www.redcentricplc.com/services/, are core to the Group's customer proposition and the Group is in regular dialogue with its existing and potential customers in order that it may understand and respond to their ongoing and future requirements. The Group also keeps abreast of customer needs and communicates it proposition to customers through monthly newsletters, regular customer surveys, monthly and quarterly service reviews and through its social media channels. The Board also considers it shareholders, suppliers and the environment to be key stakeholders and details of how the Group fosters relationships with these stakeholders and considers their needs are set out in the Section 172 statement on page 18 of this Report.
Principle 4 Embed effective risk management, considering both opportunities and threats, throughout the organisation	As set out in the Audit Committee Report on page 35, the Board is committed to ensuring that risk management forms part of the way the Group works and is embedded in the business. The risk register of the Group has been assigned to a new internal owner in the year and new departmental registers are now fed into a master register which is regularly reviewed by senior managers and feeds into a corporate risk register before reporting to and review by the Board.
	The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The implementation and maintenance of the risk management and internal control systems are the responsibility of the Operating Board. However, the internal control system is designed to manage rather than eliminate risk and can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group and have been improved in the year with the implementation of the

	finance and operations module of the new ERP system, D365. The principal elements of the Group's internal control system cover financial, operational and compliance controls and include: close management of the day-to-day activities of the Group by the executive directors; an established budgetary system with the preparation and approval of an annual budget by the Board and regular monitoring and review of performance against budget, forecasts and prior year; detailed monthly reporting to the Board (including financial information, performance against budget and key performance and risk indicators) whereby the Executive Directors report on significant changes to the business and external marketplace to the extent they represent significant risk; an organisational structure that has clear reporting lines and delegated authorities; management and monitoring of risk and performance at multiple levels throughout the Group; strengthened finance and legal functions that maintain processes and systems to enhance the control environment, including the control of expenditure, authorisation limits, purchase ordering, sales order intake, contract review and approval; and the principle treasury related risks are documented and approved by the Board. The Group has also worked hard over some time to attain a number of ISO accreditations, detailed at https://www.redcentricplc.com/about-us/accreditations-frameworks/, and has a number of policies and procedures in place in order to fulfil the requirements of and maintain these accreditations.
Principle 5 Maintain the board as a well-functioning, balanced team led by the chair	The composition of the Board is detailed on page 34. The Board delegates specific responsibilities to the Board committees. The composition of the committees and how they discharge their responsibilities can be found on page 32. Part of the role of the Board's Nomination Committee is to keep the composition of the Board under review as the Group's business evolves. The Board is delighted to have diversified its composition following the appointment of Helena Feltham as a new Non-Executive Director and Chair of the Remuneration Committee. Helena brings with her considerable HR and people experience and significantly strengthens the Company's Remuneration Committee. With the publication of this Report, Ian Johnson, Non-Executive Chairman announces his intention to step down on the appointment of a suitable successor. Recruitment of a successor is under way and will be announced in due course. At the start of the year, the Company announced the replacement of Dean Barber by David Senior as an Executive Director on the Board and Chief Financial Officer. David has had a very successful first year as CFO and has made a significant contribution to the success of the Company in FY21. The Board is satisfied that it has an appropriate balance between independence and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged and expected to use their independent judgement and to challenge matters where required, both strategic and operational. The Executive Directors of the Company are employed on a full-time basis. Non-Executive Directors are required to devote such time to the Group's affairs as necessary to discharge their duties and this may change from time to time. In addition to scheduled Board meetings, members are required to attend other ad hoc Board meetings, committee meetings, the AGM and any other business or general meetings as required. Board members are also required to consider all relevant papers before each meeting and to devote additional time in respect of preparation and ad hoc matters which may arise. Non-Executive Directors are required to obtain the agreement of the Chairman before accepting additional commitments that may affect the time that they are able to devote to their role as a non-executive director. Further details of external appointments of the Board are included in their biographies on page 34. In addition to being Non-Executive Chairman of the Company, Ian Johnson is Executive Chairman of Circassia plc and Non-Executive Director of Ergomed plc. Ian has, nonetheless, been able to

	devote sufficient time to the Group to date and the Board will continue to monitor this until his retirement from the Board. Details of the number of regular scheduled meetings of the Board and committees, together with the attendance record for each Board member, are set out on page 33. The Board recently concluded an assessment of its performance and more detail is provided below against Principle 7.
Principle 6 Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	Directors' details and biographies are on page 34. The Board considers that it has sufficient skills and experience to enable it to execute its duties and responsibilities effectively given the nature and size of the Group. As mentioned above, the appointment of Helena Feltham and David Senior to the Board has extended the breadth of experience on the Board and enhanced its capabilities and the Board will be mindful of appointing a new Non-Executive Chairman whose skills and knowledge complement those of the current Directors. Directors are responsible for ensuring their continuing professional development to maintain their effective skills and knowledge. As part of the Board performance assessment recently concluded, details of which are set out below, each Board member provided information on their individual skills and experience in areas relevant to the Group. This exercise indicated a high level of capability and also provided insight on additional areas that could potentially form part of the specification for any future Board appointments. The Board receives monthly reports on the Group's operational and financial performance as mentioned above, and formal agendas and reports are also circulated to the Board in advance of meetings. The Board has access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are adhered to. Directors are able to obtain further advice or seek clarity on issues raised in reports or at meetings from within the Group or from external sources. The Board also has a procedure whereby any director may seek, through the Company Secretary, independent professional advice in furtherance of their duties, if necessary, at the Group's expense. John Kempster is the Company's Senior Independent Director and provides a sounding board for the Chairman and also serves as an intermediary for the other directors where required. External advisers or consultants have been engaged by the Board in respect of the FCA Investigation and the implementation of the Restitution Scheme, and in relation to the formal sales process which took place in the year, all being significant matters. Since the year end, the Nomination Committee has engaged consultants in relation to the appointment of a new Non-Executive Chairman and the Board has also appointed Oakley Advisory as financial adviser to assist with the implementation of the acquisition strategy of the Company. On appointment to the Board, new directors receive a tailored induction pack and introductions to relevant personnel within the Group.
Principle 7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The Board recently carried out its annual evaluation. The assessment was internally facilitated and comprised the following elements: - a questionnaire completed by every Board member covering Board and Committee structure, processes, agendas and priorities. Each Board member's assessment of their individual performance and feedback on each other was also sought. The questionnaire was based on one designed by external consultants with considerable experience of Board reviews, but tailored to meet the specific circumstances of the Group; - completion of a skills matrix by each Board member, as referred to under Principle 6 above, to identify areas of expertise on the Board and additional areas that the Board could consider in relation to future appointments; - a Board discussion facilitated by the Company Secretary on the outputs of the questionnaire and skills matrix. In addition to the appointment of Helena Feltham and recruitment of a new non-executive chairman, the processes identified a number of other actions which the Board believes will

	assist in improving Board performance and these will be implemented during the year, including: - new processes for monitoring and reporting on the Board's communications with investors; -an increase in the number of regular, scheduled Board meetings to eight per calendar year, supplemented by ad hoc additional meetings as necessary and monthly written Board reports; -a review of executive remuneration to be led by Helena Feltham with the assistance of remuneration advisors; and -a refreshed approach to board succession planning.
Principle 8 Promote a corporate culture that is based on ethical values and behaviours	The Board aims to lead by example with respect to promoting a healthy corporate culture and ensuring that ethical values and behaviours are embedded in the business. The processes in place for decision making which are documented in its Committee terms of reference, the Company's share dealing code and the requirement for regular disclosure of interests are all examples of processes which require high standards of behaviour from the Board. Employment policies adopted by the Group, such as its whistleblowing and anti-bribery policies, assist in embedding a culture of ethical behaviour and the values set out in its corporate social responsibility statement and Modern Slavery Act statement also reinforce this culture. The Group is proud that in FY21, despite the restrictions caused by the COVID-19 pandemic, it has worked with a number of local and national charities including Macmillan Cancer Support, Yorkshire Children's Trust, the NHS, Sue Ryder, Action for Children and Children in Need. Further details of the Group's charitable activity is set out on page 25.
Principle 9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	The business and management of the Group are the collective responsibility of the Board. The Board meets at least six times a year in accordance with its scheduled meeting calendar and this schedule is supplemented with additional meetings as and when required. The attendance by each Board member at meetings held in the year is shown in the table below. At each scheduled meeting, the Board considers and reviews the trading performance of the Group. The Board and its Committees receive appropriate and timely information prior to each meeting in accordance with a reporting timetable agreed with the Board and Operating Board. A formal agenda is agreed with the Chairman for each meeting and papers are distributed several days ahead of meetings taking place. The Board has a formal written schedule of matters reserved for its review and approval including approval of the annual budget, major capital expenditure and interim and annual results. All specific actions arising are documented following each Board and Committee meeting, followed up by the Executive Directors and Company Secretary and then reviewed at the next meeting. **BOARD COMMITTEES** The Board is supported by the Audit, Nomination and Remuneration Committees. A report on the composition, responsibilities and key activities of the Audit Committee are set out in the Audit Committee Report and in the Directors' Remuneration Report for the Remuneration Committee. The Nomination Committee consists of Ian Johnson (Chairman), Jon Kempster and Helena Feltham. The Committee meets at least once a year and as required, particularly as and when necessary to identify and nominate for approval by the Board, candidates for Board appointments. The Committee engages external consultants when appropriate to assist in the search for and selection of new Board members. During the year, the Nomination Committee was involved in the appointment of David Senior as a Director and Chief Financial Officer as detailed above and following the year end, it has been involved in identifying the need for a new NED and Chairman and the appointment of Helena Feltham to the Board. The Committee has terms of reference in place which have been formally approved by the Board and once a year it reviews the structure, size and composition (including diversity) of the Board, considers succession planning and reviews the leadership needs of the organisation.

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

The following table details the attendance of the Board members at regular scheduled Board and Committee meetings held during FY21.

Name	Position (at 31 March 2021)	Main Board		Audit Committee		Remuneration Committee		Nomination Committee	
		Total	Attended	Total	Attended	Total	Attended	Total	Attended
Ian Johnson	Chairman	6	6	-	-	2	2	1	1
Stephen Vaughan	NED	6	6	3	3	2	2	1	1
Jon Kempster	NED	6	6	3	3	2	2	1	1
Peter Brotherton	CEO	6	6	-	-	-	-	-	-
Dean Barber[1]	-	-	-	-	-	-	-	-	-
David Senior[2]	CFO	6	6	-	-	-	-	-	-

[1]Resigned with effect from 3 April 2020

[2]Appointed with effect from 3 April 2020

Board of Directors

Non-Executive Directors

Ian Johnson, Independent Non-Executive Chairman of the Board

Appointment date: 16 October 2019

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

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

Jon Kempster, Independent Non-Executive Director and Senior Independent Director

Appointment date: 10 January 2017

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

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

Helena Feltham, Independent Non-Executive Director

Appointment date: 7 July 2021

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

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

Executive Directors

Peter Brotherton, Chief Executive Officer

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

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

David Senior, Chief Financial Officer

Appointment date: 3 April 2020

Experience and external appointments: David served in the role of Finance Director of the Group since 2017, prior to his appointment as Chief Financial Officer. During his time with the Group to date, David has been instrumental in building a strong finance team and made a significant contribution to the commercial successes of the Group over the last 3 years. David is a chartered certified accountant with 20 years of experience in finance, including in several senior positions with Wolseley plc.

Audit Committee Report

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

Governance

The Audit Committee consists of Jon Kempster, as Chair of the Committee, and Non-Executive Director, Helena Feltham. Stephen Vaughan formed part of the Committee until his retirement as a Non-Executive Director from the Board on 27 April 2021.

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

During the year, the Committee met three times. Attendance details for the regular scheduled meetings are provided on page 33.

Key Responsibilities

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

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

The Committee reports on all such matters to the Board.

Internal control and risk management

The Audit Committee supports the Board in reviewing the risk management methodology and the effectiveness of internal control. During the year, the Group has improved its approach to risk assessment with the assignment to a new owner and as a result now has departmental risk registers which feed into a master register which is reviewed by senior management and Operating Board and in turn feeds into a corporate register. The management of the master and corporate risk register is coordinated by the Chief Financial Officer with regular reviews at Operating Board level and reporting on key risks and mitigating actions to the Committee.

External audit

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

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

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

Significant reporting issues and judgements

The significant estimates and judgements made in connection with the preparation of the financial statements are the credit note provision and going concern which are considered in notes 1.1 and 2 to the Consolidated Financial Statements.

Jon Kempster
Chair of the Audit Committee , 15 July 2021

Directors' Remuneration Report

The Remuneration Committee is chaired by Helena Feltham as independent Non-Executive Director and also consists of Jon Kempster and Ian Johnson, who are also independent Non-Executive Directors. Helena was appointed as Chairperson of the Committee on 7 July 2021, following Jon Kempster serving as chair of the Committee on an interim basis after Stephen Vaughan's resignation from the Board on 27 April 2021. The Committee meets at least twice a year and at other times during the year as agreed between the members of the Committee. The Remuneration Committee met eight times during FY21. The attendance record for the regular scheduled meetings is included on page 33.

Responsibilities

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

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

Chief Executive

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

Chief Financial Officer

Dean Barber was appointed as Chief Financial Officer with effect from 2 September 2019 and his remuneration package was reviewed and approved by the Remuneration Committee as part of the recruitment process. David Senior replaced Dean Barber as Chief Financial Officer on 3 April 2020, and his remuneration was reviewed and approved by the Remuneration Committee as part of his appointment.

Basic salary and benefits

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

I. life assurance cover of 4 times salary;
II. private medical insurance for themselves, their spouse and their children; and
III. a contribution to a private pension plan.

Performance-related bonus

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

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

Share options

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

Recruitment and promotion policy

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

Element of remuneration	Policy
Base Salary	Base salaries are set by the Committee on appointment and then reviewed annually. In setting and reviewing salaries, the Committee considers the responsibilities of the role, progression in the role, individual performance, skills, experience and pay levels within the Group.
Benefits	Executive Directors are entitled to life assurance cover of 4 times salary and private medical insurance for themselves, their spouse and their children.
Pension	Executive Directors are entitled to receive pension contributions from the Company.
Annual bonus	The Remuneration Committee determines, at the start of the financial year, the criteria for the award of a discretionary annual performance bonus. Performance is measured over the full financial year and appropriate clawback provisions are in place in relation to any payments made.
Long-term incentives	Executive Directors are entitled to participate in the Company's Long-Term Incentive Plan (LTIP) and Save As You Earn ("SAYE") Option Plan. The Remuneration Committee approves the granting of any share options under the Long-Term Incentive Plan and the Board approves the issue of invitations to apply for SAYE options.

Service contracts

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

Non-Executive Directors have letters of appointment. Appointments can be terminated with six months' notice save for the Chairman, whose appointment may be terminated on twelve months' notice. The remuneration of the Non-Executive Directors takes the form of an annual fees which is not pensionable.

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

	Date of appointment	Contractual notice period (months)	Length of service at 31 March 2021
Executive Directors			
Peter Brotherton	28 November 2016	6[1]	4 years 4 months
David Senior	3 April 2020	6[1]	11 months
Non-Executive Directors			
Ian Johnson	17 October 2019	6	1 year 5 months
Jon Kempster	10 January 2017	6	4 years 2 months
Stephen Vaughan	13 June 2017	6	3 year 9 months

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

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

The Executive Directors' salaries as at 31 March 2021 are set out in the table below:

	Salary 31 March 2021 £'000	Salary 31 March 2020 £'000
Peter Brotherton	**300**	300
David Senior	**160**	-

Chairman and Non-Executive Directors' fees

The Board, within the limit authorised by the Company's Articles of Association and following recommendation by the Executive Directors, determines Non-Executive Directors' fees. The Chairman receives a fee of £85,000 and during FY21, the other Non-Executive Directors received a fee of £40,000, with an additional fee of £5,000 for chairing a Board committee. With effect from 1 July 2021, the fee received by Non-Executive Directors has increased to £45,000, with the additional fee of £5,000 for chairing a Board committee remaining unchanged.

	Annual fee 31 March 2021 £'000	Annual fee 31 March 2020 £'000
Ian Johnson (appointed 17 October 2019)	**85**	-
Jon Kempster (Chair of Audit Committee)	**45**	40
Stephen Vaughan (Chair of Remuneration Committee)	**45**	40
Chris Cole (resigned 17 October 2019)	-	70
Chris Rigg (resigned 31 December 2019)	-	40

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

Total remuneration for the Chief Executive Officer

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

Year ended 31 March	Executive	Total single figure £'000
2021	Peter Brotherton	672
2020	Peter Brotherton	489
2019	Peter Brotherton	100
	Chris Jagusz[1]	207
2018	Chris Jagusz	154
	Fraser Fisher[2]	209
2017	Fraser Fisher	369

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

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

Single total figure of remuneration for Directors (audited)

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

	Basic Salary, allowances, and fees £'000	Bonus £'000	Pension £'000	Share-based payments £'000	**FY21 Total £'000**	FY20 Total £'000
Executive						
Peter Brotherton[1]	300	150	10	212	**672**	529
David Senior[2](appointed 3 April 2020)	146	80	7	32	**265**	-
Dean Barber (appointed 2 Sept 2019, resigned 3 April 2020)	4	-	-	-	**1**	107
Non-executive						
Ian Johnson (appointed 16 Oct 2019)	85	-	-	-	**85**	39
Stephen Vaughan	45	-	-	-	**45**	49
Jon Kempster	45	-	-	-	**45**	44
Chris Cole (resigned 16 Oct 2019)	-	-	-	-	-	41
Chris Rigg (resigned 31 Dec 2019)	-	-	-	-	-	30

[1]Includes travel allowance of £1k. On 20 November 2020 Peter Brotherton exercised options over 28,571 ordinary shares of 0.1p each at a price of 63p resulting in a gain of £17,000. On 22 December 2020 Peter Brotherton exercised nil-cost options over 192,481 ordinary shares of 0.1p each resulting in a gain of £212,000. On 26 September 2019 Peter Brotherton exercised nil-cost options over 161,905 ordinary shares of 0.1p each resulting in a gain of £143,000.

[2] On 20 November 2020 David Senior exercised options over 28,571 ordinary shares of 0.1p each at a price of 63p resulting in a gain of £17,000. On 22 December 2020 David Senior exercised nil-cost options over 29,100 ordinary shares of 0.1p each resulting in a gain of £32,000.

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

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

		Exercise price (p)	Balance, 31 March 2020	Granted	Forfeited / expired	Exercised	Balance, 31 March 2021
Peter Brotherton	(a)	Nil	192,481	-	-	(192,481)	-
	(b)	63	28,571	-	-	(28,571)	-
	(c)	Nil	298,879	-	-	-	298,879
	(d)	Nil	379,267	-	-	-	379,267
	(g)	Nil	-	242,915	-	-	242,915
			899,198	242,915	-	(221,052)	921,061
David Senior	(b)	63	28,571	-	-	(28,571)	-
	(e)	Nil	29,100	-	-	(29,100)	-
	(f)	Nil	20,000	-	-	-	20,000
	(d)	Nil	100,000	-	-	-	100,000
	(g)	Nil	-	129,555	-	-	129,555
			177,671	129,555	-	(57,671)	249,555
Dean Barber	(h)	Nil	175,750	-	(175,750)	-	-

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

(b) The options were granted on 29 June 2017 under the Company's HMRC approved Save-As-You-Earn Option Plan 2014 under which employees contribute a monthly amount which is saved over 3 years to buy shares. The options were exercisable from 30 August 2020. There were no performance conditions.

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

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

(e) The options were granted on 1 December 2017 under the Company's LTIP. The options vested post the release of the Group's results for the year ended 31 March 2020 subject to the achievement of performance conditions related to the growth in earnings per share.

(f) The options were granted on 27 June 2018 under the Company's LTIP. The options will vest post the release of the Group's results for the year ended 31 March 2021 subject to the achievement of performance conditions related to the growth in earnings per share.

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

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

Directors' interests in shares

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

	Interests in ordinary shares at 31 March 2021	Interests in ordinary shares at 31 March 2020	Interests in share-based incentive options at 31 March 2021	Interests in share-based incentive options at 31 March 2020
Executive				
Peter Brotherton	**228,571**	20,000	**921,061**	899,198
David Senior	**14,550**	-	**249,555**	177,671
Non-Executive				
Stephen Vaughan	**20,000**	20,000	-	-
Jon Kempster	**10,249**	10,249	-	-

Remuneration policy for Executive Directors compared to other employees

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000	Change %
Chief Executive Officer			
Salary	**300**	300	0.0%
Benefits	**11**	11	0.0%
Annual Bonus	**150**	80	87.5%
Average of all employees			
Salary	**38**	36	5.6%
Benefits	**2**	2	0.0%
Annual Bonus	**2**	1	100%

Relative importance of spend on pay

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000	Change %
Employee expenditure	**21,210**	20,230	4.8%
Distributions to shareholders	**1,868**	2,731	(31.6%)
Average number of employees	**420**	462	(9.1%)
Revenue	**91,399**	87,485	4.5%
Adjusted EBITDA	**24,476**	20,695	18.3%

Share price

The market price of the Company's shares on 31 March 2021 was 130.0p per share. The highest and lowest market prices during the year were 158.0p and 96p respectively.

Helena Feltham
Chair of the Remuneration Committee
15 July 2021

Directors' report

The Directors presents their annual report together with the audited financial statements for FY21.

Principal activity

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

The Strategic Report on pages 1-26 contains a review of the business, future developments and the principal risks and uncertainties.

Dividends

An interim dividend of 1.2p per ordinary share was paid in December 2020. Following good trading performance, strong cash generation and the closure of the Restitution Scheme, the Board has decided to reinstate a progressive dividend policy. The Directors will therefore be recommending the payment of a final dividend of 2.4p per share in respect of FY21 to shareholders which, if approved at the AGM, will be paid on 17 September 2021 to shareholders on the register at the close of business on 6 August 2021.

Substantial shareholders

As at 31 March 2021 and 30 June 2021 (being the latest practicable date before the publication of this report) the Company had been notified of the following significant interests in 3% or more in its ordinary shares:

	31 March 2021 Number	31 March 2021 %	30 June 2021 Number	31 June 2021 %
Kestrel Investment Partners	28,247,439	18.09	28,038,649	17.99
ND Capital Investments Ltd	24,840,868	15.91	24,840,868	15.91
Lombard Odier Asset Mgt	19,416,844	12.44	20,037,810	12.83
Slater Investments	18,587,657	11.91	18,587,657	11.90
Harwood Capital	18,192,500	11.65	17,294,188	11.08
Mr Richard Griffiths	8,582,000	5.50	8,353,500	5.35
Chelverton Asset Mgt	8,125,000	5.20	8,125,000	5.20
Artemis Investment Mgt	4,838,447	3.10	4,838,447	3.10

As of 30 June 2021, the Company's issued share capital is 156,165,710 ordinary shares.

Directors and their interests

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

- Ian Johnson
- Peter Brotherton
- Dean Barber (resigned 3 April 2020)
- David Senior (appointed 3 April 2020)
- Jon Kempster
- Stephen Vaughan (resigned 28 April 2021)
- Helena Feltham (appointed 7 July 2021)

Details of Directors' remuneration, service agreements and interests in the share capital of the Company are provided in the Directors' Remuneration Report on pages 36-40. Details of the Directors' contracts, remuneration and share options granted are also set out in the Directors' Remuneration Report, on pages 36-40.

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

Directors' indemnities and liability insurance

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

Employees

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

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all colleagues, irrespective of sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment for disabled persons, having regard to their aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group.

For further information on our colleagues see page 22 of our Corporate Responsibility statement.

Going concern

The Group's activities and an outline of the developments taking place in relation to its services and marketplace are considered in the strategic report on pages 1 to 26. A commentary on the revenue, trading results and cash flows is provided in the financial review on pages 8 to 13.

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

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

The Directors have prepared cash flow forecasts which indicate that, taking account of reasonably possible downsides and the impact of COVID-19 on the operations and its financial resources, the Group and the Company will have sufficient funds to meet its liabilities as they fall due for that period.

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

Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment presents a number of challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to, achieving forecast levels of order intake, the impact on customer confidence as a result of general economic conditions and Brexit and achieving forecast margin improvements.

The Group has not observed any material impact in trading performance due to COVID-19. However, due to the uncertainty over the duration and extent of the impact of COVID-19, the Directors have modelled a severe but plausible downside scenario when preparing the forecasts. This downside scenario assumes significant economic downturn, impacting new order intake, and an additional 3-month lockdown from December 2021 to February 2022 with no new order intake during this period. In this scenario, recurring monthly order intake is forecast to reduce by 59% compared to FY21, product and services revenues reduce by 22% compared to FY21 and customer loss through insolvency increases (particularly in the retail, hospitality, and leisure sectors). Under the downside scenario modelled, the forecasts demonstrate that Group is expected to maintain sufficient liquidity. The Directors therefore remain confident that the Group has adequate resources to continue to meet its liabilities as and when they fall due within the period of at least 12 months from the date this Report.

Purchase of own shares

The authority to make purchases of the Company's shares on its behalf was given by resolution of the shareholders at the Company's 2019 and 2020 AGM, and in September 2019 the Company announced that it had approved a share buyback programme of the Company's ordinary shares for an aggregate purchase price of up to £2million (the "Programme"). The Company announced shortly after the end of FY20 that the Programme would be temporarily halted until such time as the outlook around COVID-19 became more certain and in November 2020, in the announcement of its audited results for the six months to 30 September 2020, the Company announced that it would reinstate the Programme. No share buybacks were made during FY21 but the Board will retain the option to selectively purchase shares on the market as and when it believes it is appropriate.

Annual General Meeting

The 2021 AGM will be held at the offices of finnCap plc at 1 Bartholomew Close, London EC1A 7BL at 12:30 on 9 September 2021 and the Board is keen to welcome shareholders in person this year given the constraints faced in 2020 due to the COVID-19 pandemic. The Company will, however, continue to monitor the impact of COVID-19 and government guidance relating to restrictions and measures in relation to the holding of general meetings. If it becomes necessary or appropriate to revise current arrangements for welcoming shareholders in person, further information will be made available on the Company's website and by RIS announcement. The notice convening the AGM and what shareholders should do to register their intention to attend and/or vote by proxy are contained in a separate circular to shareholders and on the Group's website at https://www.redcentricplc.com/investors/shareholder-documents/.

Corporate governance

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

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

Disclosure of information to the auditor

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

Subsequent events

Following the end of FY21, the Company took action to dissolve a number of dormant subsidiaries as referred to in notes 29 and 31 of the financial statements.

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

By order of the Board

HJagpal

Harn Jagpal
Company Secretary
15 July 2021

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and they have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

By order of the Board

Harn Jagpal
Company Secretary
15 July 2021

KPMG

Independent auditor's report

to the members of Redcentric plc

1. Our opinion is unmodified

We have audited the financial statements of Redcentric plc ("the Company") for the year ended 31 March 2021 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, Company Balance Sheet, Company Statement of Changes in Equity and the related notes, including the accounting policies in note 1 to both the consolidated financial statements and company financial statements.

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;

— the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;

— the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Overview	
Materiality: group financial statements as a whole	£731,000 (2020:£518,000) 0.8% (2020: 0.8%) of Group revenue
Coverage	99% (2020:99%) of total profits and losses that makeup Group profit (2020: loss) before tax

Key audit matters		vs 2020
Recurring risks	Going concern	◄►
	Provision for credit notes	◄►
	New: Recoverability of parent Company's investment in subsidiaries	▲

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

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

	The risk	Our response
Going concern *Refer to pages 55 (accounting policy).*	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and parent Company's business model and how those risks might affect the Group's and the parent Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and the parent Company's available financial resources over this period were: — The level of external financing facilities and the ability of the Group to operate within the liquidity and covenant parameters within these financing facilities; and — The impact of a depression in demand and the risk of credit losses arising from customers facing disruption as a result of COVID-19. There are also less predictable but realistic second order impacts, such as the impact of COVID-19 on operations in the UK and India, and the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: — **Funding Assessment:** We assessed the committed level of financing available to the Group and forecast covenant headroom for at least the next 12 months through consideration of the facility agreement. We critically assessed the Directors' forecasts, specifically surrounding the Group's ability to meet covenants in place. We assessed the level of funding available to the Group taking into account cash resources at the balance sheet date and the impact of post balance sheet events such as performance to date, the expiry of existing bank facilities on 30 June 2022; — **Historical Comparisons:** We analysed the Directors' previous profit forecasts against actual outcomes to assess historical forecasting accuracy and assist our challenge of the 2022/2023 forecasts prepared by the Directors; — **Key dependency assessment:** We identified the critical factors in determining whether there is a risk of business failure based on our detailed knowledge of the business and specific risk assessments for the impact of COVID-19 and Brexit, taking input from the Directors where appropriate; — **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's cash flow forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively, including the modelling of a period of COVID-19 related disruption through to March 2022, after which point the cash flow forecast models a gradual recovery; — **Evaluating Directors' intent:** We evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We considered the impact of specific mitigations such as reductions in operating expenditure; and — **Assessing transparency:** We assessed the completeness and accuracy of the matters covered in the going concern disclosure by evaluating the reasonableness of risks and uncertainties specified by the disclosure against our findings from our evaluation of the Directors' assessment of going concern.

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

	The risk	Our response
Provision for credit notes (provision: £0.9 million; 2020: £1.2 million) *Refer to pages 62 (accounting policy) and pages 79-80 (financial disclosures).*	**Processing error and subjective estimate** The Group sells to a large customer base. The Group has a history of issuing invoices for the incorrect products or/and amounts and hence has been issuing material levels of credit notes to correct these. The Group corrects for the issue of incorrect invoicing by recording a credit note provision against revenue and trade receivables. The credit note provision is based on the value of credit notes that the Group expects to subsequently issue to correct for the estimated unresolved invoicing issues to date. The Directors generate the credit note provision by assessing historic levels of credit notes raised against the related invoices amounts, taking into account consideration changes in the current financial period. There is a risk that the credit note provision recorded by the Directors to correct for the inaccurate invoicing may be materially understated resulting in revenue and trade receivables being misstated.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: — **Test of detail**: We assessed the basis and calculation of the credit note provision against our knowledge of the business and our understanding and evaluation of the invoicing process; — **Historical comparisons**: We evaluated the level of credit notes raised against total revenue to assess the appropriateness of the applied rate of credit notes to total revenues in the year; and — **Test of detail**: We assessed the level of post year-end credit notes, to determine the extent to which the provision is utilised post year end and the adequacy of the year-end provision.
Recoverability of parent Company's investment in subsidiaries (£103.0 million; 2020: £102.4 million) *Refer to page 86 (accounting policy) and page 89 (financial disclosures).*	**Forecast-based valuation** We do not consider the recoverable amount of this investment to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to its materiality in the context of the parent Company financial statements as a whole, this is considered to be the area which had the greatest effect on our overall parent Company audit.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: — **Our sector experience**: We critically assessed the reasonableness of the key assumptions used in the forecast based valuation, in particular those relating to forecast EBITDA growth, long term growth rates and the discount rate in comparison to external and internal evidence; — **Sensitivity analysis**: We performed breakeven analysis on the assumptions noted above; — **Historical comparisons**: We assessed the reasonableness of the forecasts by considering the historical accuracy of the previous forecasts; and — **Assessing transparency**: We assessed whether the parent Company's disclosures in relation to recoverability assessment reflected the risks inherent in the recoverable amount of the parent Company's cost of investment in subsidiaries.

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern and impairment tests, but however, we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

We continue to perform procedures over the outcome of the FCA investigation. However, following the closure of the restitution scheme in the year, we have not assessed this matter as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

KPMG

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

Materiality for the Group financial statements as a whole was set at £731,000 (2020:£518,000), determined with reference to a benchmark of total revenue of £91.4 million (2020:£87.5 million) (of which it represents 0.8% (2020: 0.6%)). We consider total revenues to be the most appropriate benchmark as it provides a more stable measure year on year than Group profit or loss before tax.

We revised our evaluation of materiality as the audit progressed, by applying a revised percentage of 0.8% instead of 0.6% to the total revenue benchmark. We revised our evaluation because the risk profile in the Group had reduced following closure of the restitution scheme, as set out in section 2 of this report.

Materiality for the parent Company financial statements as a whole was set at £517,000 (2020:£517,000), determined with reference to a benchmark of parent Company total assets, of which it represents 0.5% (2020:0.5%).

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

Performance materiality was set at 65% (2020:65%) of materiality for the financial statements as a whole, which equates to £475,150 (2020:£336,700) for the Group and £336,050 (2020:£336,050) for the parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £36,550 (2020:£25,900), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 3 (2020: 3) reporting components, we subjected 2 (2020: 2) to full scope audits for group purposes.

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

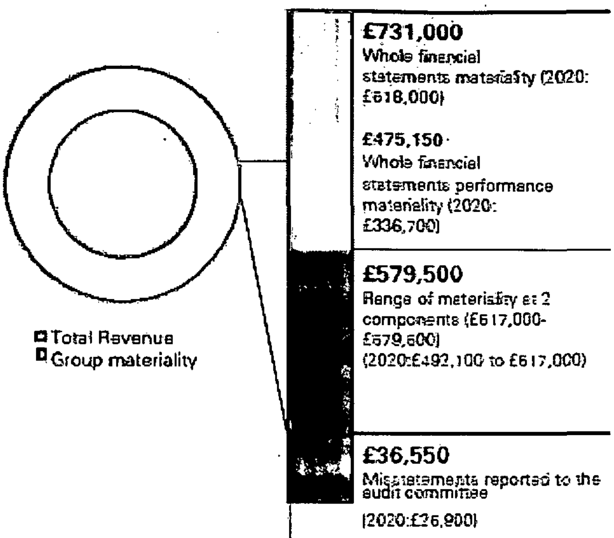
For the residual 1 (2020: 1) component, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on all 3 (2020: 3) components was performed by the Group team.

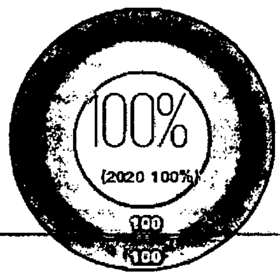
The component materialities ranged from £517,000 to £579,500 (2020: £492,100 to £517,000), having regarded the mix of size and risk profile of the Group across the components.

Total Revenue
£91.4m (2020:£87.5m)

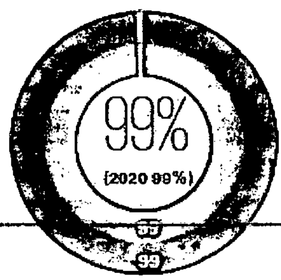
Group materiality
£731,000 (2020: £518,000)



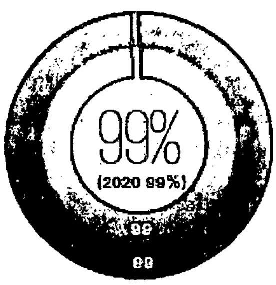
Group revenue



Total profits and losses that make up Group profit before tax



Group total assets



Full scope for group audit purposes 2021
Full scope for group audit purposes 2020
Residual components

KPMG

4. Going concern

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

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

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the parent Company will continue in operation.

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

Identifying and responding to risks of material misstatement due to fraud

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

— Enquiring of Directors and the Audit Committee, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;

— Reading Board and Audit Committee minutes;

— Considering remuneration incentive schemes and performance targets for management; and

— Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition.

We did not identify any additional fraud risks.

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

We performed procedures including:

— Identifying journal entries and other adjustments to test (for all full scope components subject to audit as disclosed in section 3 of this report) based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts; and

— Performing procedures over revenue recognition for all full scope components including substantive procedures in respect of revenue transactions either side of the balance sheet date and post year-end credit notes.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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

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

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

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment and social legislation, data protection laws, environmental protection legislation and contract legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

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

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

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

Strategic report and directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the directors' report;

— in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

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

— adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent Company financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of Directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 44, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
15 July 2021

KPMG

Consolidated statement of comprehensive income for the year ended 31 March 2021

	Note	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Revenue	6	**91,399**	87,485
Cost of sales		**(33,460)**	(32,297)
Gross Profit		**57,939**	55,188
Operating expenditure		**(49,448)**	(63,925)
Other operating income	7	**4,507**	-
Adjusted EBITDA[1]		**24,580**	20,604
Depreciation of property, plant and equipment	16	**(3,408)**	(6,373)
Amortisation of intangibles	15	**(7,337)**	(7,449)
Depreciation of right of use assets	17	**(4,932)**	(2,441)
Exceptional items	9	**4,782**	(12,516)
Share-based payments	26	**(687)**	(562)
Operating profit/(loss)		**12,998**	(8,737)
Finance income	10	**-**	5
Finance costs	10	**(1,460)**	(1,881)
Profit/(Loss) on ordinary activities before taxation		**11,538**	(10,613)
Income tax (expense)/credit	12	**(2,311)**	13
Profit/(Loss) for the period attributable to owners of the parent		**9,227**	(10,600)
Other comprehensive income			
Items that may be classified to profit or loss:			
Currency translation differences		**103**	13
Deferred tax movement on share options		**(224)**	-
Total comprehensive profit/(loss) for the period		**9,106**	(10,587)
Earnings per share			
Basic earnings/(loss) per share	13	**6.01p**	(7.14)p
Diluted earnings/(loss) per share	13	**5.93p**	(7.14)p

The notes on pages 55 to 86 are an integral part of these consolidated financial statements.

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

Consolidated statement of financial position as at 31 March 2021

	Note	**31 March 2021 £'000**	31 March 2020 £'000
Non-Current Assets			
Intangible assets	15	**65,929**	68,415
Tangible assets	16	**5,834**	12,909
Right-of-use assets	17	**18,787**	26,010
Deferred tax asset	18	**561**	1,482
		91,111	108,816
Current Assets			
Inventories		**1,061**	891
Trade and other receivables	19	**25,663**	23,261
Corporation tax receivable		**-**	346
Cash and short-term deposits		**5,250**	3,710
		31,974	28,208
Total assets		**123,085**	137,024
Current Liabilities			
Trade and other payables	21	**(22,459)**	(24,311)
Corporation tax payable		**(641)**	-
Borrowings	22	**(487)**	(12,598)
Leases	22	**(3,735)**	(3,528)
Provisions	24	**(574)**	(12,122)
		(27,896)	(52,559)
Non-current liabilities			
Deferred tax liability		**-**	-
Borrowings	22	**(1,004)**	(36)
Leases	22	**(15,593)**	(22,097)
Provisions	24	**(2,695)**	(2,531)
		(19,292)	(24,664)
Total liabilities		**(47,188)**	(77,223)
Net assets		**75,897**	59,801
Equity			
Called up share capital	25	**156**	149
Share premium account	25	**73,267**	65,734
Common control reserve		**(9,454)**	(9,454)
Own shares held in treasury	25	**(32)**	(724)
Retained earnings		**11,960**	4,096
Total Equity		**75,897**	59,801

The notes on pages 55 to 86 are an integral part of these consolidated financial statements.

The financial statements of Redcentric Plc (Registration Number 08397584) on pages 51 to 54 were approved by the Board on 15 July 2021 and are signed on its behalf by:

David Senior
Chief Financial Officer

Consolidated cash flow statement for the year ended 31 March 2021

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Profit/(Loss) before taxation		**11,538**	(10,613)
Net finance costs	10	**1,460**	1,876
Operating profit/(loss)		**12,998**	(8,737)
Adjustment for non-cash items			
Depreciation and amortisation	15,16,17	**15,677**	16,263
Exceptional items	9	**(4,782)**	12,516
Share-based payments	26	**687**	562
Operating cash flow before exceptional items and movements in working capital		**24,580**	20,604
Cash costs of exceptional items		**(8,884)**	(817)
Operating cash flow before changes in working capital		**15,696**	19,787
Changes in working capital			
(Increase) / Decrease in inventories		**(15)**	(534)
Decrease /(Increase) in trade and other receivables		**4,432**	(1,779)
(Decrease)/Increase in trade and other payables		**(2,536)**	1,343
Cash generated from operations		**17,577**	18,817
Tax paid		**(149)**	(660)
Net cash generated from operating activities		**17,428**	18,157
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,541)**	(3,943)
Purchase of intangible fixed assets		**(1,397)**	(290)
Net cash used in investing activities		**(2,938)**	(4,233)
Cash flows from financing activities			
Dividends paid	14	**(1,868)**	(2,731)
Share buy-back		**-**	(724)
Disposal of treasury shares on exercise of share options		**494**	-
Cash received on exercise of share options		**36**	-
Sale and leaseback		**1,036**	-
Interest paid		**(1,415)**	(1,825)
Repayment of leases and loans		**(4,481)**	(5,127)
~~Repayment of borrowings~~	~~22~~	~~**(12,500)**~~	~~(7,000)~~
Issue of shares		**5,775**	-
Net cash used in financing activities		**(12,923)**	(17,407)
Net increase/(decrease) in cash and cash equivalents		**1,567**	(3,483)
Cash and cash equivalents at beginning of period		**3,710**	7,206
Effect of exchange rates		**(27)**	(13)
Cash and cash equivalents at end of the period		**5,250**	3,710

The notes on pages 55 to 86 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2021

	Share Capital	Share Premium	Common Control Reserve	Own Shares Held in Treasury	Retained Earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	149	65,588	(9,454)	-	19,362	75,645
Adjustment on initial application of IFRS 16	-	-	-	-	(2,260)	(2,260)
Adjusted as at 1 April 2019	149	65,588	(9,454)	-	17,102	73,385
(Loss) for the period	-	-	-	-	(10,600)	(10,600)
Transactions with owners						
Share-based payments	-	-	-	-	484	484
Share buyback	-	-	-	(724)	-	(724)
Issue of new shares	-	146	-	-	(146)	-
Dividends paid (note 14)	-	-	-	-	(2,731)	(2,731)
Other comprehensive income						
Currency translation differences	-	-	-	-	(13)	(13)
At 31 March 2020	149	65,734	(9,454)	(724)	4,096	59,801
Profit for the period	-	-	-	-	9,227	9,227
Transactions with owners						
Share-based payments	-	-	-	-	582	582
Issue of new shares	7	7,533	-	-	-	7,540
Dividends paid (note 14)	-	-	-	-	(1,868)	(1,868)
Share option exercises	-	-	-	692	(198)	494
Other comprehensive income						
Deferred tax movement on share options	-	-	-	-	224	224
Currency translation differences	-	-	-	-	(103)	(103)
At 31 March 2021	**156**	**73,267**	**(9,454)**	**(32)**	**11,960**	**75,897**

The notes on pages 55 to 86 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 31 March 2021

1 Summary of significant accounting policies

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

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

1.1 Basis of preparation

The consolidated financial statements have been prepared and approved by the directors in accordance with applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRS").

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

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides including the impact of COVID-19 on the operations and its financial resources, the Group and the Company will have sufficient funds to meet its liabilities as they fall due for that period.

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

Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment presents a number of challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to, achieving forecast levels of order intake, the impact on customer confidence as a result of general economic conditions and Brexit, the potential impact of COVID-19 on the Group's key operating locations in the UK and India, and achieving forecast margin improvements.

The uncertainty as to the future impact on the Group of the COVID-19 outbreak has been considered as part of the directors' consideration of the going concern basis of preparation. Thus far, the Group has not observed any material impact in trading performance due to COVID-19. However, due to the uncertainty over the duration and extent of the impact of COVID-19, the Directors have modelled a severe but plausible downside scenario when preparing the forecasts. The Directors have also considered the impact of the ongoing COVID-19 challenges in India on the employees and business operations.

The downside scenario assumes significant economic downturn over FY22, impacting new order intake, and an additional 3-month lockdown occurs from December 2021 to February 2022 with no new order intake during this 3-month period. In this scenario, recurring monthly order intake is forecast to reduce by 59% compared to FY21, product and services revenues reduce by 22% compared to FY21 and customer loss through insolvency increases (particularly in the retail, hospitality, and leisure sectors). Under the downside scenario modelled, the forecasts demonstrate that Group is expected to maintain sufficient liquidity. The Directors therefore remain confident that the Group has adequate resources to continue to meet its liabilities as and when they fall due within the period of at least12 months from the date this Report.

1.2 Changes In accounting policy and disclosure

Adopted IFRS not yet applied

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

1.3 Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 March 2021.

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

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

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

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

1.4 Segmental reporting

IFRS 8 requires operating segments to be identified based on internal financial information reported to the chief operating decision-maker for decision-making purposes. The Group considers that this role is performed by the main Board. The Board believes that the Group continues to comprise a single reporting segment, being the provision of managed services to customers.

1.5 Revenue recognition

IFRS 15 'Revenue from contracts with customers' requires "performance obligations" to be identified at the inception of the contract for each of the distinct goods or services that have been promised to the customer. The following table summarises the performance obligations we have identified for our major revenue lines and provides information on the time of when they are satisfies and the related revenue recognition policy.

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

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

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

Payments received in advance are recognised as contract liabilities and amounts billed in arrears are contract assets. Revenue expected to be recognised in future periods for performance obligations that are not complete (or partially complete) as at 31 March 2021 is £123m. Of this, £119m relates to revenue for recurring managed services. In comparison, revenue expected to be recognised in future periods for performance obligations that were not complete (or partially complete) as at 31 March 2020 was £140m. Of this, £133m related to revenue for recurring managed services.

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

1.6 Exceptional items

Exceptional items are items of income and expense which are material and, due to their nature or size, are presented separately on the face of the income statement in order to provide a better understanding of the Group's underlying financial performance. Exceptional items are excluded from the Group's alternative performance measures (APMs), as defined on page 14, and are disclosed in detail in note 9.

1.7 Share-based payments

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

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

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

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

1.8 Taxation

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

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

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

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

1.9 Foreign currencies

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

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

1.10 Pensions

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

1.11 Intangible assets

a) Goodwill

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

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

b) Other intangible assets

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

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

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

Customer contracts and related relationships	5–15 years
Trademarks	5 years
Software Licences	5 years (or over the contract term if shorter)
ERP Systems	6 years

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

c) Internally generated intangibles

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

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

1.12 Property, plant and equipment

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

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

Office Fixtures and fittings	4 - 5 years
Leasehold improvements	15 years (or over the lease term if shorter)
Vehicles and Computer Equipment	3 - 5 years (or over the contract term if shorter)

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

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

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

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

The recoverable amount of intangible assets and property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined by the cash generating unit to which the asset belongs. Fair value less costs to sell is, where known, based on actual sales price net of costs incurred in completing the disposal.

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

~~1.14 Inventories and Cost of Sales~~

Inventories are stated at the lower of cost and net realisable value. Cost corresponds to purchase cost determined by the first in first out (FIFO) method.

1.15 Leases

IFRS 16 has introduced a single on-balance sheet accounting model for lessees. When entering into a new contract, the Group assesses whether it is, or contains, a lease. A lease conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

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

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

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

1.16 Financial instruments

a) Financial assets

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

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

Trade receivables

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

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

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

Cash and cash equivalents

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

b) Financial liabilities

Trade payables

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

Provisions

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

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

Interest-bearing loans and borrowings

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

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

2 Critical accounting judgements and key sources of estimation uncertainty

Judgements

The Group adopted IFRS 16 for the first time in FY20. Judgement is applied in determining whether a contract contains a lease and the anticipated tenure of these leases – whether or not break clauses will be exercised has been determined based on our historical experience and expectations for future trading and capacity requirements. Further judgements have been made with regard to discount rates applied, determining appropriate bonds, property asset premiums and in applying the portfolio expedient to enable the same discount rate to be applied across cars and other non-property leases.

The Group recognises an intangible asset in relation to the development, configuration and customisation of application software to the extent that costs can be separately identified and attributed to particular software programs, measured reliably and the group has the right to the economic benefits of the software asset developed. Judgement is applied in determining whether the Group has control over the development, configuration and customisations to which the Group has been granted a perpetual license. The directors recognise that there is evolving guidance in relation to the wider application of IAS 38 Intangible Assets specifically in the context of the configuration or customisation costs in a cloud computing arrangement and insofar as it is relevant, they will continue to consider the appropriateness of the Group's accounting policy.

Estimates

Credit note provisioning remains a key source of estimation uncertainty that could result in a material change to the revenue recognised. The group has a large customer base and historically a material number of credit notes have been raised by the group due to issues in the accuracy of invoicing to customers. A credit note provision is estimated at the period end to account for revenue which has been recognised in the year, but for which a credit note will subsequently be raised post year end. The provision has been calculated based on empirical analysis of credit notes issued against revenue recognised over a period of two years with adjustments made based on management's knowledge of specific items in the customer base. The provision recognised at 31 March 2021 is £0.9m (31 March 2020: £1.2m). During the year £1.0m of new provision has been created and £1.3m utilised through actual credit notes raised. An increase of 0.5% in the estimate would have resulted in a £457k increase in the provision as at 31 March 2021.

A deferred tax asset of £0.7m (31 March 2020: £2.4m) is recognised in relation to tax losses from historic acquisitions. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Recognition, therefore, involves estimates regarding the prudent forecasting of future taxable profits of the business and in applying an appropriate risk adjustment factor.

3 Financial risk management

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

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

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

a) Foreign exchange risk

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

b) Cash flow interest rate risk

The Group receives interest on cash and cash equivalents and pays interest on its borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk. During the year ended 31 March 2010 the Group's borrowings at variable rate were denominated in Pounds Sterling with interest linked to Sterling interest rates.

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

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

c) Price risk

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

d) Credit risk

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

Liquidity risk

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

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

4 Capital risk management

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

In order to maintain or adjust the capital structure the Group has previously both issued new shares and borrowed using bank facilities. The Group monitors capital on the basis of the ratio of net bank debt to adjusted EBITDA. Net debt is calculated as total bank borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents, and adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, exceptional costs and share based payments. The Group's strategy is to maintain the ongoing ratio at below 2.5x, although the bank facilities can accommodate a higher ratio. The ratio was comfortably below this level throughout the year, and at 31 March 2021 was 0.0x (31 March 2020 – 0.8x).

The bank facilities referred to in Note 22 contain various covenants relating to EBITDA, interest cover, net debt and cash flow, which the Group monitors on a monthly basis. The Group adopts a risk-averse position with respect to borrowings and maintains a significant amount of headroom in its bank facilities to ensure that any unexpected situations do not create financial stress.

The Board remains committed to a progressive dividend policy. a final dividend of 2.4p (£3.7m) has been recommended to the shareholders. It is the board's intention to continue with a progressive (50% of adjusted earnings) dividend policy in FY22 and beyond.

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

5 Segment reporting

IFRS 8 requires operating segments to be identified based on internal financial information reported to the chief operating decision-maker (CODM) for decision-making purposes. The Group considers that this role is performed by the main Board. The Board believes that the Group continues to comprise a single reporting segment, being the provision of managed services to customers. The CODM assesses profit performance principally through an adjusted EBITDA measure, as defined on page 14.

Whilst the Board reviews the Group's three revenue streams separately (recurring, product and service), the operating costs and operating asset base used to derive these revenue streams are the same for all three categories and are presented as such in the Group's internal reporting to the CODM.

Non current assets held outside the UK are immaterial (31 March 2020: immaterial).

6 Revenue

Revenue for the year ended 31 March 2021 was generated wholly from the UK and is analysed as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Recurring revenue	**81,897**	77,617
Product revenue	**5,072**	5,215
Services revenue	**4,430**	4,653
Total revenue	**91,399**	87,485

Revenue is analysed into the following categories:

- Recurring monthly revenue, higher at £81.9m (FY20: £77.6m).
- Non-recurring product revenue, which was lower at £5.1m (FY20: £5.2m), continued to be impacted by customers delaying discretionary spending due to the economic uncertainty.
- Non-recurring services revenue was lower at £4.4m (FY20: £4.7m).

6.1 Contract Balances

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Receivables, which are included in trade and other receivables	**9,164**	12,375
Accrued income	**1,999**	1,849
Deferred income	**(7,471)**	(9,685)

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

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

7 Operating profit

The following costs are considered to be significant items within operating profit/(loss).

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Amortisation of acquired intangible assets	**6,252**	6,252
Amortisation of intangible assets: owned	**1,085**	1,197
Depreciation: owned assets	**3,408**	6,373
Depreciation and Amortisation of ROU assets: Leased	**4,932**	2,441
Share-based payments	**687**	562
Net foreign exchange (gains)/losses	**(52)**	-
Expense in relation to short-term and low value leases not recognised under IFRS 16	**31**	34
Employee benefits expense, excluding share-based compensation	**20,294**	20,133
	36,637	36,992

Operating income is broken down as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Proceeds from sale of non-core business unit	**5,750**	-
Disposal of goodwill	**(1,185)**	-
Other associated costs	**(58)**	-
	4,507	-

8 Auditor's remuneration

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Audit of these financial statements	**25**	25
Amounts payable to the Group's auditor and associated companies in respect of:		
-Audit of the financial statements of subsidiaries of the Company	**226**	169
-Tax compliance services	**11**	11
-Tax advisory services	**13**	11
-All other services	**3**	-
	278	216

9 Exceptional items

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Staff restructuring	**393**	465
Insurance adviser provision	**553**	-
Vacant property lease provisions net of costs	**-**	(141)
Onerous service contracts	**148**	1,155
Circuit termination charges	**4**	163
Restitution provision	**(2,172)**	11,429
Professional fees associated with the FCA Investigation	**57**	(555)
Lease modification	**649**	-
Business sale process	**93**	-
Profit upon sale of non-core business unit	**(4,507)**	-
	(4,782)	12,516

Staff restructuring costs relate to a rationalisation programme principally impacting the Delivery department.

The insurance adviser cost represents a provision booked for costs repayable on adviser fees in relation to the FCA investigation.

The Theale office was closed during the year to 31 March 2019 and a £553k provision created to cover anticipated expenditure up to the end of the contractual term to 29th September 2023. Early surrender of the lease negotiated during the prior year resulting in a £156k provision release offset by £15k of costs.

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

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

The Restitution Scheme provision from the prior year constitutes the amount that had been agreed with the FCA to settle with net purchasers of ordinary shares in the Company between 9 November 2015 and 7 November 2016. During the year the scheme was closed resulting in a net £2,172k provision release.

Lease modification costs represent the impact of the re-negotiation of the lease of the London data centre.

Business sale process costs were incurred as a result of the sales process during the year which concluded during the year.

Profit upon sale of non-core business unit is net credit resulting from the sale of the assets and knowhow for the provision of maintenance services to EDF nuclear power stations to Thales UK Limited. The total consideration received was £5,750,000 in cash. No cash or cash equivalent was within the business over which control was lost. Goodwill of £1,185,000 was disposed of as part of the transaction.

10 Finance income and costs

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Finance Income		
Other interest receivable	-	5
Finance costs		
Interest payable on bank loans and overdrafts	(240)	(610)
Interest payable on leases	(1,165)	(1,220)
Amortisation of loan arrangement fees	(55)	(51)
	(1,460)	(1,881)

Interest payable on leases includes £1.0m (FY20: £1.1m) of interest on leases previously classified as operating leases under IAS17.

11 Employees

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

	Year ended 31 March 2021 Number	Year ended 31 March 2020 Number
Operations	288	296
Selling and distribution	73	108
Administration	59	58
	420	462

Staff costs were:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Wages and salaries	17,440	17,396
Social security costs	1,819	1,648
Share options granted to Directors and employees	687	562
Pension costs	610	624
Payments in lieu of notice and redundancy not included within exceptional items	32	-
Payments in lieu of notice and redundancy included within exceptional items	393	465
	20,981	20,695

11.1 Key management compensation

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Basic salary, allowances and fees	1,292	1,021
Bonus and other benefits	501	102
Share based payments	405	241
Pension costs	53	17
Payments in lieu of notice and redundancy	-	154
	2,251	1,535

11.2 Director's remuneration

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

	Basic Salary, allowances, and fees £'000	Bonus £'000	Pension £'000	Share-based payments £'000	**FY21 Total £'000**	FY20 Total £'000
Executive						
Peter Brotherton[1]	300	150	10	212	**672**	529
David Senior[2](appointed 3 April 2020)	146	80	7	32	**265**	-
Dean Barber (appointed 2 Sept 2019, resigned 3 April 2020)	1	-	-	-	**1**	107
Non-executive						
Ian Johnson (appointed 16 Oct 2019)	85	-	-	-	**85**	39
Stephen Vaughan	45	-	-	-	**45**	49
Jon Kempster	45	-	-	-	**45**	44
Chris Cole (resigned 16 Oct 2019)	-	-	-	-	**-**	41
Chris Rigg (resigned 31 Dec 2019)	-	-	-	-	**-**	30

[1]Includes travel allowance of £1k. On 20 November 2020 Peter Brotherton exercised options over 28,571 ordinary shares of 0.1p at each a price of 63p resulting in a gain of £17,000. On 22 December 2020 Peter Brotherton exercised nil-cost options over 192,481 ordinary shares of 0.1p each resulting in a gain of £212,000. On 26 September 2019 Peter Brotherton exercised nil-cost options over 161,905 ordinary shares of 0.1p each resulting in a gain of £143,000.

[2] On 20 November 2020 David Senior exercised options over 28,571 ordinary shares of 0.1p each at a price of 63p resulting in a gain of £17,000. On 22 December 2020 David Senior exercised nil-cost options over 29,100 ordinary shares of 0.1p each resulting in a gain of £32,000.

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

		Exercise price (p)	Balance, 31 March 2020	Granted	Forfeited / expired	Exercised	Balance, 31 March 2021
Peter Brotherton	(a)	Nil	192,481	-	-	(192,481)	-
	(b)	63	28,571	-	-	(28,571)	-
	(c)	Nil	298,879	-	-	-	298,879
	(d)	Nil	379,267	-	-	-	379,267
	(g)	Nil	-	242,915	-	-	242,915
			899,198	242,915	-	(221,052)	921,061
David Senior	(b)	63	28,571	-	-	(28,571)	-
	(e)	Nil	29,100	-	-	(29,100)	-
	(f)	Nil	20,000	-	-	-	20,000
	(d)	Nil	100,000	-	-	-	100,000
	(g)	Nil	-	129,555	-	-	129,555
			177,671	129,555	-	(57,671)	249,555
Dean Barber	(h)	Nil	175,750	-	(175,750)	-	-

Notes to the consolidated financial statements for the year ended 31 March 2021 (continued)

11.2 Director's remuneration (continued)

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

(b) The options were granted on 29 June 2017 under the Company's HMRC approved Save-As-You-Earn Option Plan 2014 under which employees contribute a monthly amount which is saved over 3 years to buy shares. The options were exercisable from 30 August 2020. There were no performance conditions.

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

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

(e) The options were granted on 4 December 2017 under the Company's LTIP. The options vested post the release of the Group's results for the year ended 31 March 2020 subject to the achievement of performance conditions related to the growth in earnings per share.

(f) The options were granted on 27 June 2018 under the Company's LTIP. The options will vest post the release of the Group's results for the year ended 31 March 2021 subject to the achievement of performance conditions related to the growth in earnings per share.

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

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

12 Income tax expense

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Income tax		
UK current year tax charge	**1,152**	844
Overseas current year tax charge	**69**	102
Adjustment in respect of prior years	**(54)**	(148)
Total income tax	**1,167**	798
Deferred tax		
Current year	**769**	(796)
Adjustment in respect of prior years	**375**	(15)
Total deferred tax	**1,144**	(811)
Total tax charge/(credit) in consolidated statement of comprehensive income	**2,311**	(13)
Other Comprehensive Income items		
Deferred Tax	**(224)**	-

Factors affecting the tax charge for the year		
Profit/(Loss) before taxation	**11,538**	(10,613)
Taxation at the average UK corporation tax rate of 19.0% (FY20: 19.0%)	**2,192**	(2,016)
Tax effects of:		
-Expenses not allowable in determining taxable profit	**289**	2,206
-Adjustment in respect of prior years	**321**	(163)
-Non-taxable income	**(513)**	-
-Share options	**6**	-
-R&D Tax Credit	**-**	(40)
-Deferred tax rate change	**-**	(22)
-Effect of overseas tax rates	**16**	22
Tax (credit) / charge for the year	**2,311**	(13)

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This increased the Group's future current tax charge accordingly. The deferred tax asset at 31 March 2021 has been calculated at 19% (2020: 19%).

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly and increase the deferred tax asset by £177k.

In addition to the net deferred tax asset there is an unrecognised deferred tax asset on tax losses of £1.35m. These losses have not been recognised as there remains an uncertainty about the availability of these losses going forwards. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) as noted above would increase the unrecognised deferred tax asset to £1.78m (i.e. an increase of £426k).

13 Earnings per share (EPS)

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

Earnings	**Year ended 31 March 2021 £'000**	Year ended 31 March 2020 £'000
Statutory earnings	**9,227**	(10,600)
Tax charge	**2,311**	(13)
Amortisation of acquired intangibles	**6,252**	6,252
Share-based payments	**687**	562
Exceptional items	**(4,782)**	12,516
Adjusted earnings before tax	**13,695**	8,717
Notional tax charge at standard rate	**(2,602)**	(1,656)
Adjusted earnings	**11,093**	7,061

Weighted average number of ordinary shares	**Number '000**	Number '000
In issue	**153,930**	149,311
Held in treasury	**(439)**	(822)
For basic EPS calculations	**153,491**	148,489
Effect of potentially dilutive share options	**2,215**	-
For diluted EPS calculations	**155,706**	148,489

EPS	**Pence**	Pence
Basic	**6.01p**	(7.14)p
Adjusted	**7.23p**	4.76p
Basic diluted	**5.93p**	(7.14)p
Adjusted diluted	**7.12p**	4.68p

14 Dividends

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Final dividend for the year ended 31 March 2019	-	1,492
Interim dividend for the year ended 31 March 2020	-	1,239
Interim dividend for the year ended 31 March 2021	**1,868**	-
	1,868	2,731

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

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

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

The Group paid an interim dividend for the year ended 31 March 2021 of 1.2p per ordinary share, with a total payment value of £1.9m.

A final dividend payment of 2.4p per share will be paid on 17 September 2021, subject to approval at the Company's Annual General Meeting. The shares will have an ex-dividend date of 5 August 2021 and a record date of 8 August 2021.

15 Intangible Assets

	Goodwill £'000	Customer contracts and related relationships £'000	Trademarks £'000	Software and licences £'000	Total £'000
Cost					
At 1 April 2019	43,269	62,284	275	6,331	112,159
Reclassification to right of use (note 17)				(1,240)	(1,240)
Adjusted 1 April 2019	43,269	62,284	275	5,091	110,919
Additions	-	-	-	578	578
At 31 March 2020	43,269	62,284	275	5,669	111,497
Reclassification from property plant & equipment (note 16)	-	-	-	4,434	4,434
Additions	-	-	-	1,677	1,677
Disposals	(1,185)	-	-	(130)	(1,315)
Exchange differences	-	-	-	(1)	(1)
At 31 March 2021	**42,084**	**62,284**	**275**	**11,649**	**116,292**
Accumulated amortisation and impairment					
At 1 April 2019	-	32,065	275	4,017	36,357
Reclassification to right of use (note 17)	-	-	-	(788)	(788)
Adjusted 1 April 2019	-	32,065	275	3,229	35,569
Charged in year	-	6,252	-	1,197	7,449
Write-off	-	-	-	64	64
At 31 March 2020	-	38,317	275	4,490	43,082
Charged in year	-	6,252	-	1,085	7,337
Disposals	-	-	-	(56)	(56)
At 31 March 2021	**-**	**44,569**	**275**	**5,519**	**50,363**
Net book value					
At 31 March 2021	**42,084**	**17,715**	**-**	**6,130**	**65,929**
At 31 March 2020	43,269	23,967	-	1,179	68,415
At 31 March 2019	43,269	30,219	-	2,314	75,802

Customer contracts have a weighted average remaining amortisation period of 3 years and 11 months (FY20: 4 years and 11 months).

During the year, the Group's new ERP system, Microsoft Dynamics 365 went live. As a result, and in the context of evolving guidance in relation to configuration or customisation costs in a cloud computing arrangement (see note 2), £4,434,000 of asset previously recognised within tangible assets was reclassified to intangible assets.

On initial application of IFRS 16 'Leases', the Group continued to present assets that were previously recognised under IAS17 as finance leases within property plant and equipment and intangible assets. The carrying value at 31 March 2020 was £2,826,000 within property plant and equipment and £452,000 within intangible assets. In the current year, all right of use assets have been presented separately in note 17 and therefore these amounts have been reclassified along with the assets that were newly recognised from 1 April 2019 on initial application of IFRS 16.

15 Intangible Assets (continued)

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

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

The value in use has been calculated using budgeted cash flow projections to the period of 31 March 2023, extrapolated for a further three years by an average annual revenue growth rate of 1.5% (FY20: 2.0%). A terminal value based on a perpetuity calculation using a 0.0% real growth rate was then added (FY20: 0.0% growth).

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

- Gross margin percentage reducing to 60.5% (FY20: 60.5%)
- Operating costs increasing by 1.5% (FY20: 1.0%)
- Pre-tax discount rate of 8.3% (FY20: 9.2%) (post tax rate of 7.0% (FY20: 8.6%) estimated using a weighted average cost of capital, adjusted to reflect current market assessments of the time value of money and the risks specific to the Group; and
- Terminal growth rate percentage of 0.0% (FY20: 0.0%).

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

16 Property, plant and equipment

	Leasehold improvements £'000	Office fixtures and fittings £'000	Vehicles & computer equipment £'000	Total £'000
Cost				
At 1 April 2019	13,734	1,494	33,987	49,215
Reclassification to right of use (note 17)	(55)	(23)	(5,191)	(5,269)
Adjusted balance at 1 April 2019	13,679	1,471	28,796	43,946
Additions	134	129	3,711	3,974
Disposals	(6,285)	(569)	(6,500)	(13,354)
Exchange differences	-	2	(14)	(12)
At 31 March 2020	7,528	1,033	25,993	34,554
Reclassification to intangibles (note 15)	-	-	(4,434)	(4,434)
Additions	404	442	940	1,786
Disposals	(129)	(103)	(816)	(1,048)
Exchange differences	-	(9)	(24)	(33)
At 31 March 2021	**7,803**	**1,363**	**21,659**	**30,825**
Accumulated depreciation				
At 1 April 2019	10,123	1,095	19,864	31,082
Reclassification to right of use (note 17)	(6)	(8)	(2,428)	(2,442)
Adjusted balance at 1 April 2019	10,117	1,087	17,436	28,640
Charged in year	626	135	5,612	6,373
On disposals	(6,285)	(569)	(6,500)	(13,354)
Exchange differences	-	-	(14)	(14)
At 31 March 2020	4,458	653	16,534	21,645
Charged in year	458	148	2,802	3,408
On disposals	-	-	(32)	(32)
Exchange differences	-	(8)	(22)	(30)
At 31 March 2021	**4,916**	**793**	**19,282**	**24,991**
Net book value				
At 31 March 2021	**2,887**	**570**	**2,377**	**5,834**
At 31 March 2020	3,070	380	9,459	12,909
At 31 March 2019	3,611	399	14,123	18,133

During the year, the Group's new ERP system, Microsoft Dynamics 365 went live. As a result, and in the context of evolving guidance in relation to configuration or customisation costs in a cloud computing arrangement (see note 2), £4,434,000 of asset previously recognised within tangible assets was reclassified to intangible assets.

On initial application of IFRS 16 'Leases', the Group continued to present assets that were previously recognised under IAS17 as finance leases within property plant and equipment and intangible assets. The carrying value at 31 March 2020 was £2,826,000 within property plant and equipment and £452,000 within intangible assets. In the current year, all right of use assets have been presented separately in note 17 and therefore these amounts have been reclassified along with the assets that were newly recognised from 1 April 2019 on initial application of IFRS 16.

17 Right of use assets

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

	Land and buildings £'000	Vehicles & computer equipment £'000	Total £'000
Cost			
At 1 April 2019	-	-	-
Recognition of ROU asset on initial application of IFRS 16	27,858	736	28,594
Reclassification from Property plant and equipment (note 16)		5,269	5,269
Reclassification from intangibles (note 15)		1,240	1,240
Adjusted balance at 1 April 2019	27,858	7,245	35,103
Additions	-	2,370	2,370
Remeasurement	2,031	-	2,031
At 31 March 2020	29,889	9,615	39,504
Additions		2,092	2,092
Remeasurement	(4,383)	-	(4,383)
At 31 March 2021	**25,506**	**11,707**	**37,213**
Accumulated depreciation			
At 1 April 2019	-	-	-
Recognition of ROU asset on initial application of IFRS 16	7,823	-	7,823
Reclassification from Property plant and equipment (note 16)		2,442	2,442
Reclassification from intangibles (note 15)	-	788	788
Adjusted balance at 1 April 2019	7,823	3,230	11,053
Charged in year	1,898	543	2,441
At 31 March 2020	9,721	3,773	13,494
~~Charged in year~~	~~2,540~~	~~2,392~~	~~4,932~~
At 31 March 2021	**12,261**	**6,165**	**18,426**
Net book value			
At 31 March 2021	**13,245**	**5,542**	**18,787**
At 31 March 2020	20,168	5,842	26,010

Of the £2,092k right of use assets acquired in the year, £1,036k were funded as part of the sale and leaseback transaction and the remaining £1,056k funded using other leases (FY20: £2,370k).

On initial application of IFRS 16 'Leases', the Group continued to present assets that were previously recognised under IAS17 as finance leases within property plant and equipment and intangible assets. The carrying value at 31 March 2020 was £2,826,000 within property plant and equipment and £452,000 within intangible assets. In the current year, all right of use assets have been presented separately in this note and therefore these amounts have been reclassified along with the assets that were newly recognised from 1 April 2019 on initial application of IFRS 16.

The Group entered into a sale and lease transaction with Lombard Technology Services Limited for various equipment, software and ancillary costs used and incurred in the business. This was entered into as part of the Group's combined debt strategy. The leaseback has a remaining term of five years at the date of application.

The remeasurement represents:

- the modification to the London site lease incorporating a one-way break clause at March 2030 resulting in a reduction in the lease liability of £4.2m, a reduction in the asset of £4.7m an increase in the dilapidation provision of £0.2m and an exceptional charge of £0.7m;
- the modification to the Cambridge site lease following the decision not to activate the break clause resulted in an increase in the lease liability of £0.3m and an increase in the right-of-use asset of £0.3m.

18 Deferred tax

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Deferred tax liabilities	**(3,362)**	(4,550)
Deferred tax assets	**3,923**	6,032
	561	1,482

18.1 Deferred tax liabilities

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Opening balance	**4,550**	5,134
Recognised in the income statement	**(1,188)**	(584)
	3,362	4,550

Deferred tax liabilities relate to intangible assets from business acquisitions.

18.2 Deferred tax assets

	India £'000	Share-based payments £'000	Tax losses £'000	Property, plant and equipment £'000	Other timing differences £'000	Total £'000
Cost						
At 1 April 2019	44	36	2,780	2,404	12	5,276
Adjustment upon transition to IFRS 16	-	-	-	-	530	530
Recognised in income statement	3	127	(365)	527	(51)	241
Adjustment in relation to prior year	-	(10)	(5)	-	-	(15)
At 31 March 2020	47	153	2,410	2,931	491	6,032
Recognised in income statement	-	20	(1,633)	(273)	(72)	(1,958)
Recognised in other comprehensive income	-	224	-	-	-	224
Adjustment in relation to prior year	-	-	(154)	(248)	27	(375)
At 31 March 2021	**47**	**397**	**623**	**2,410**	**446**	**3,923**

19 Trade and other receivables

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Trade receivables	10,268	13,813
Less: provision for impairment of trade receivables and credit notes	(1,104)	(1,438)
Trade receivables – net	9,164	12,375
Other receivables	5,825	664
Prepayments	6,579	5,639
Commission contract asset	2,096	2,734
Accrued income	1,999	1,849
	25,663	23,261

The commission contract asset arose on the adoption of IFRS 15. For the year ended 31 March 2021 the impairment for this contract asset was immaterial (FY20: immaterial).

There is £immaterial (FY20: £immaterial) expected credit loss against other receivables.

20 Credit quality of financial assets

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Trade receivables	9,164	12,375
Other receivables	5,825	664
Cash and cash equivalents	5,250	3,710
	20,239	16,749

~~20.1 Credit quality of trade receivables~~

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

The ageing analysis of trade receivables is as follows:

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Current	9,343	10,993
1 to 30 days overdue	600	1,656
31 to 60 days overdue	282	593
61 to 90 days overdue	21	220
91 to 180 days overdue	21	288
> 180 days overdue	1	63
~~**Gross trade debtors**~~	~~10,268~~	~~13,813~~
Provision	(1,104)	(1,438)
Net trade debtors	9,164	12,375

As at 31 March 2021, trade receivables of £165k were provided for (31 March 2020: £246k). £939k has been provided for within the credit note provisions (31 March 2020: £1,192k). No provision has been made against accrued income in the year ended 31 March 2021 (31 March 2020: £nil).

20 Credit Quality of Financial Assets (continued)

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

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

	Provision in relation to FY18 and earlier £'000	Provision in relation to FY19 £'000	Provision in relation to FY20 £'000	Provision in relation to FY21	Total provision £'000
At 1 April 2019	218	1,303	-	-	1,521
Creation of provision	36	10	1,736	-	1,782
Utilisation of provision	(247)	(707)	(911)	-	(1,865)
At 31 March 2020	7	606	825	-	1,438
Creation of provision	-	-	-	1,272	1,272
Utilisation of provision	(4)	(465)	(499)	(638)	(1,606)
At 31 March 2021	**3**	**141**	**326**	**634**	**1,104**

20.2 Cash and cash equivalents

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

21 Trade and other payables

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Trade payables	**8,470**	7,661
Other payables	**243**	198
Taxation and social security	**2,390**	2,596
Accruals	**3,885**	4,171
Deferred income	**7,471**	9,685
	22,459	24,311

Of the deferred income balance of £9.7m at 31 March 2020, £8.1m has been recognised as revenue in the year ended 31 March 2021.

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

22 Borrowings

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Current		
Lease liabilities	**3,735**	3,528
Term loans	**487**	115
Bank loan	-	12,500
Unamortised loan arrangement fee	-	(17)
	4,222	16,126
Non-current		
Lease liabilities	**15,593**	22,097
Term loans	**1,004**	36
Bank loan	-	-
Unamortised loan arrangement fee	-	-
	16,597	22,133

At 31 March 2021, the Group was party to £32m of bank facilities with a termination date of 30 June 2022. The facilities comprise a Revolving Credit Facility of £5m (£nil utilised at 31 March 2021) with a £20.0m accordion (£nil utilised at 31 March 2021) and a £7.0m Asset Financing Facility (£1.8m utilised at 31 March 2021).

Term loans constitute financing arrangements for services. Term loans include a supplier loan of £1,207k for a 3 year maintenance contract.

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

22.1 Reconciliation of net debt

	As at 31 March 2019 £'000	Net cash flow £'000	Net non-cash flow £'000	As at 31 March 2020 £'000	Net cash flow £'000	Net non-cash flow £'000	**As at 31 March 2021 £'000**
Cash	7,206	(3,483)	(13)	3,710	1,567	(27)	**5,250**
RCF	(19,432)	7,000	(51)	(12,483)	12,500	(17)	-
Term Loan	(363)	212	-	(151)	212	(1,552)	**(1,491)**
Lease Liabilities	(4,976)	6,234	(26,883)	(25,625)	4,527	1,770	**(19,328)**
	(17,565)	9,963	(26,947)	(34,549)	18,806	174	**(15,569)**

22 Borrowings (continued)

22.2 Terms and repayment schedule

	Currency	*Nominal interest rate*	*Year of maturity*
RCF	*GBP*	*LIBOR + 2.40%*	*2022*
Term Loans	*GBP*	*0.0-2.0%*	*2021-24*
Leases	*GBP*	*1.4-7.5%*	*2021-35*

22.3 Leases

	Present value as at 31 March 2021 £'000	**Finance charges**	**Future lease payments as at 31 March 2021 £'000**	Present value as at 31 March 2020	Finance charges £'000	Future lease payments as at 31 March 2020 £'000
Not later than 1 year	3,735	900	4,635	3,528	1,229	4,757
After 1 year but not more than 5 years	9,566	1,805	11,371	9,395	3,198	12,593
After more than 5 years	6,027	985	7,012	12,702	4,530	17,232
	19,328	**3,690**	**23,018**	25,625	8,957	34,582

The lease for the Shoreditch data centre contains a break clause in March 2030. Potential future undiscounted lease payments not including in the reasonably certain lease term, and hence not include in lease liabilities, total £9,500,000.

23 Liquidity risk

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

	Less than 1 year £'000	1 - 5 years £'000	More than 5 years £'000	Total £'000
At 31 March 2021				
Bank loans	-	-	-	-
Leases	3,735	9,566	6,027	**19,328**
Term loans	487	1,004	-	**1,491**
Trade payables	8,470	-	-	**8,470**
Other payables	242	-	-	**242**
	12,934	10,570	6,027	**29,531**
At 31 March 2020				
Bank loans	12,500	-	-	12,500
Leases	3,528	9,395	12,702	25,625
Term loans	115	36	-	151
Trade payables	7,661	-	-	7,661
Other payables	198	-	-	198
	24,002	9,431	12,702	46,135

Borrowings exclude unamortised loan arrangement fee of £nil (FY20: £17,000).

24 Provisions

	Restitution Scheme provision £'000	Scheme fees provision £'000	Dilapidations provision £'000	Onerous service contract provision £'000	Total provision £'000
At 1 April 2019	-	-	496	534	1,030
Additional provisions created during the period	11,429	-	2,030	833	14,292
Released during the period	-	-	-	(156)	(156)
Utilised during the period	-	-	-	(513)	(513)
At 31 March 2020	11,429	-	2,526	698	14,653
Additional provisions created during the period	130	553	333	21	1,037
Released during the period	(2,172)	-	(164)	(193)	(2,529)
Utilised during the period	(9,387)	-	-	(505)	(9,892)
At 31 March 2021	-	**553**	**2,695**	**21**	**3,269**
Analysed as:					
Current	-	553	-	21	574
Non-current	-	-	2,695	-	2,695
	-	**553**	**2,695**	**21**	**3,269**

The Restitution Scheme provision related to the settlement agreed with the FCA settlement in respect of certain historical accounting misstatements that were uncovered by the Company in November 2016. As part of this settlement, the Company agreed to implement a Restitution Scheme to compensate net purchasers of ordinary shares in the Company between 9 November 2015 and 6 November 2016. The amount represented management's best estimate of the cost to the Group. The uncertainty in the value arose as a result of the fact that claimants have the option to opt for a cash payment, a share payment or a split payment. All outflows associated with the Restitution Scheme were made by January 2021 with the remaining balance released.

The Scheme fees provision represents costs repayable on adviser fees in relation to the FCA investigation.

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

The onerous service contract provision relates to the costs associated with third party services arrangements no longer utilised by the business. All remaining outflows will occur within 1 year.

25 Share Capital

	Ordinary shares of 0.1p each Number	£'000	Share premium £'000
At 1 April 2019	149,135,316	149	65,588
New shares issues	175,397	-	146
At 31 March 2020	149,310,713	149	65,734
New shares issued	6,854,997	7	7,533
At 31 March 2021	**156,165,710**	**156**	**73,267**

Of the 6,854,997 ordinary shares of 0.1p each issued during the year, 5,250,000 were issued for proceeds of £5,775,000. 57,142 shares were issued for £36,000. 1,314,244 shares were issued in respect of the Restitution Scheme, utilising £1,729,000 of the provision. The remaining 233,611 were issued at 0.1p each.

During the year the Company purchased, and held in treasury, nil of its ordinary share capital (FY20: 822,427) for total proceeds of £nil (FY20: £724,000). The total shares held in treasury at 31 March 2021 was 33,284 (31 March 2020: 822,427).

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

26 Share-based payments

At 31 March 2021, the Group had the following share-based payment arrangements in place:

Long-Term Incentive Plan (LTIP)

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

Save As You Earn (SAYE)

The Group operates a HMRC approved SAYE scheme which offers its UK based colleagues the opportunity to participate in a share purchase plan. To participate in the plan, the colleagues are required to save an amount of their gross monthly salary, up to a maximum of £500 per month, for a period of 36 months. Under the terms of the plan, at the end of the three-year period the colleagues are entitled to purchase shares using funds saved at a price 20% below the market price at grant date. Only colleagues who remain in service and save the required amount of their gross monthly salary for 36 consecutive months will become entitled to purchase the shares. Colleagues who cease their employment, do not save the required amount of their gross monthly salary in any month before the 36-month period expires, or elect not to exercise their options to purchase shares will be refunded their saved amounts.

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Equity-settled share-based charge on LTIP scheme	**430**	362
Equity-settled share-based charge on SAYE scheme	**152**	122
National Insurance arising on share options	**105**	78
	687	562

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

	LTIP	SAYE	Total	WAEP
Balance at 31 March 2019	1,275,600	974,520	2,250,120	27.7p
Issued in the period	1,667,517	488,342	2,155,859	14.4p
Forfeited in the period	(92,619)	-	(92,619)	0.1p
Cancelled in the period	-	(49,126)	(49,126)	63.0p
Exercised in the year	(161,905)	(13,492)	(175,397)	4.9p
Lapsed in the year	(105,763)	(74,486)	(180,249)	38.8p
Balance at 31 March 2020	2,582,830	1,325,758	3,908,588	21.1p
Issued in the period	822,077	521,782	1,343,859	46.5p
Forfeited in the period	(323,750)	-	(323,750)	0.1p
Cancelled in the period	-	(46,655)	(46,655)	119.6p
Exercised in the year	(233,611)	(854,647)	(1,088,258)	49.6p
Lapsed in the year	-	(52,016)	(52,016)	76.9p
Balance at 31 March 2021	**2,847,546**	**894,222**	**3,741,768**	**22.1p**

As at 31 March 2021 the Company had a total of 350,000 (31 March 2020: 350,000) warrants in issue with an exercise price of 36p. The warrants were issued to Barclays Bank PLC on demerger in April 2013 in exchange for warrants previously held in Redstone Plc, and can be converted to shares at any time before the sale of the entire share capital of the Company. Redcentric Plc was created when Redstone Plc demerged its network-based management services business.

26 Share based payments (continued)

The weighted average remaining contractual life for the share options outstanding at 31 March 2021 is 6 years and 11 months (31 March 2020: 6 years and 5 months). The range of exercise prices for options outstanding at the end of the year was 0.1p to 119.6p. Share options outstanding at the end of the year with approximate remaining average life are as follows:

Exercise price	Number, year ended 31 March 2021	Life at 31 March 2021	Number, year ended 31 March 2020	Life at 31 March 2020
0p	**2,847,546**	**8 years, 4 months**	2,582,830	8 years, 10 months
63p	-	-	845,973	0 years, 11 months
63p	**434,145**	**2 years, 0 months**	479,785	3 years, 0 months
120p	**460,077**	**3 years, 0 months**	-	-
	3,741,768	***6 years, 11 months***	3,908,588	*6 years, 5 months*

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

	31 March 2021 Number of options	31 March 2021 WAEP	31 March 2020 Number of options	31 March 2020 WAEP
Performance conditions satisfied	**-**	**0.0p**	0	0p
Subject to performance conditions	**2,847,546**	**0.1p**	2,582,830	0p
Save-As-You-Earn	**894,222**	**92.0p**	1,325,758	63p
Outstanding at the end of the year	**3,741,768**	**22.4p**	3,908,588	21p

27 Capital commitments

The Group had no contracted but not provided for capital commitments at 31 March 2021 (31 March 2020: £nil).

28 Pensions

The Group operates a defined contribution pension scheme for eligible employees. The charge for the year ended 31 March 2021 was £610,000 (FY20: £624,000). At the year- end there was a pension's creditor of £0.1m (2020: £0.1m).

29 Subsidiaries

The undertakings whose results and financial position are consolidated within the Group financial statements at 31 March 2021 are as follows:

	Principal activity	Country of incorporation	% of ordinary share capital owned
Held directly by Redcentric plc			
Redcentric Holdings Limited (dissolved 6 July 2021)	Dormant	England and Wales	100%
Redcentric Solutions Limited	Managed Services	England and Wales	100%
Held indirectly			
Redcentric Solutions Private Limited	Support services	India	100%
Redcentric Support Services Private Limited	Support services	India	100%
Redcentric MS Limited (dissolved 1 June 2021)	Dormant	England and Wales	100%
Redcentric Managed Solutions Limited (dissolved 1 June 2021)	Dormant	England and Wales	100%
Redcentric Communications Limited (dissolved 1 June 2021)	Dormant	England and Wales	100%
Hotchilli Internet Limited	Dormant	England and Wales	100%
Calyx Managed Services Limited (dissolved 1 June 2021)	Dormant	England and Wales	100%
City Lifeline Limited (dissolved 1 June 2021)	Dormant	England and Wales	100%

All companies have a registered office of Central House, Beckwith Knowle, Harrogate HG3 1UG, except Redcentric Solutions Private Limited and Redcentric Support Services Private Limited which have a registered office at # 606-611, 6th Floor, Manjeera Trinity Corporate, JNTU – Hitech City Road, Kukatpally, Hyderabad – 72.

30 Related parties

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

Directors' emoluments are disclosed in the Remuneration Report on page 36 and compensation of key management personnel is disclosed in note 11.

There were no other transactions with related parties in the year to 31 March 2021.

31 Subsequent events

Subsequent to 31 March 2021, a corporate simplification exercise was completed which resulted in the dissolution of 6 dormant companies within the Group, being Redcentric Holdings Limited, Redcentric MS Limited, Redcentric Managed Solutions Limited, Redcentric Communications Limited, Calyx Managed Services Limited and City Lifeline Limited.

Redcentric plc

Company Balance Sheet As at 31 March 2021

	Note	**31 March 2021 £'000**	31 March 2020 £'000
Fixed Assets			
Investments	2	**102,983**	102,402
Current liabilities			
Creditors – amounts falling due within one year	3	**(21,633)**	(15,726)
Provisions	4	**(554)**	(11,429)
Net current liabilities		**(22,187)**	(27,155)
Net assets		**80,796**	75,247
Capital and reserves			
Called up share capital		**156**	149
Share premium account		**73,267**	65,734
Share option reserve		**6,776**	6,194
Own shares held in treasury		**(32)**	(724)
Retained earnings		**629**	3,894
Total shareholders' funds		**80,796**	75,247

The notes on pages 88 to 90 are an integral part of these financial statements.

The financial statements of Redcentric Plc (Registration Number 08397584) on pages 87 to 88 were approved by the Board on 15 July 2021 and are signed on its behalf by:

David Senior
Chief Financial Officer

Company Statement of Changes in Equity for the year ended 31 March 2021

	Called up Share Capital £'000	Share Premium £'000	Share option reserve £'000	Own shares held in treasury £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 April 2019	149	65,588	5,856	-	18,054	89,647
Loss for the period	-	-	-	-	(11,429)	(11,429)
Transactions with owners						
Dividend paid to shareholders	-	-	-	-	(2,731)	(2,731)
Issue of new shares	-	146	(146)	-	-	-
Share buy-back	-	-	-	(724)	-	(724)
Share-based payments	-	-	484	-	-	484
At 31 March 2020	149	65,734	6,194	(724)	3,894	75,247
Loss for the period	-	-	-	-	(1,199)	(1,199)
Transactions with owners						
Dividend paid to shareholders	-	-	-	-	(1,868)	(1,868)
Issue of new shares	7	7,533	-	-	-	7,540
Share option exercises	-	-	-	692	(198)	494
Share-based payments	-	-	582	-	-	582
At 31 March 2021	**156**	**73,267**	**6,776**	**(32)**	**629**	**80,796**

Notes to the Company Financial Statements

1 Accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006.

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

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

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

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

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

1.1 Basis of preparation

For details of the parent company basis of preparation, please refer to note 1.1 of the Group accounting policies on page 55.

Notes to the Company Financial Statements (continued)

2 Investments

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Investments in subsidiaries	**96,062**	96,062
Capital contribution related to share-based payments for subsidiaries	**6,921**	6,340
	102,983	102,402

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

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

The value in use has been calculated using budgeted cash flow projections to the period of 31 March 2023, extrapolated for a further three years by an average annual revenue growth rate of 1.5% (FY20: 2.0%). A terminal value based on a perpetuity calculation using a 0.0% real growth rate was then added (FY20: 0.0% growth).

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

- Gross margin percentage reducing to 60.5% (FY20: 60.5%)
- Operating costs increasing by 1.5% (FY20: 1.0%)
- Pre-tax discount rate of 8.3% (FY20: 9.2%) (post tax rate of 7.0% (FY20: 8.6%) estimated using a weighted average cost of capital, adjusted to reflect current market assessments of the time value of money and the risks specific to the Group; and
- Terminal growth rate percentage of 0.0% (FY20: 0.0%).

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

The subsidiary undertakings of the Company are disclosed in note 29 to the consolidated financial statements.

3 Creditors – amounts falling due within one year

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Amounts owed to subsidiaries	**21,633**	15,726

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

Notes to the Company Financial Statements (continued)

4 Provisions

	Scheme Fees provision £'000	Restitution Scheme provision £'000
Additional provision created during the period	-	11,429
At 1 April 2019	-	-
Additional provision created during the period	-	11,429
At 31 March 2020	-	11,429
Additional provisions created during the period	554	130
Utilised during the period	-	(9,387)
Released during the period	-	(2,172)
At 31 March 2021	**554**	-

The Restitution Scheme provision related to the settlement agreed with the FCA settlement in respect of certain historical accounting misstatements that were uncovered by the Company in November 2016. As part of this settlement, the Company agreed to implement a Restitution Scheme to compensate net purchasers of ordinary shares in the Company between 9 November 2015 and 6 November 2016. The amount represented management's best estimate of the cost to the Group. The uncertainty in the value arose as a result of the fact that claimants have the option to opt for a cash payment, a share payment or a split payment. All outflows associated with the Restitution Scheme were made by January 2021 with the remaining balance released.

The Scheme fees provision represents costs repayable on adviser fees in relation to the FCA investigation.

5 Share capital

Details of the share capital of the company are disclosed in note 25 to the consolidated financial statements. During the prior year the Company purchased, and held in treasury, 822,427 of its ordinary share capital for total proceeds of £724,000. At 31 March 2021, 33,284 treasury shares remained representing 0.0% of the Company's issued share capital.

6 Auditor' remuneration

The Company audit fee is £25,000 (FY20: £25,000). This fee was borne by another Group company.

7 Related parties

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

Directors' emoluments are disclosed in the Remuneration Report of the consolidated financial statements on page 36.

There were no other transactions with related parties in the year to 31 March 2021.

Directors and advisers

Directors

Executive

Peter Brotherton – Chief Executive Officer

David Senior – Chief Financial Officer

Non-executive

Ian Johnson

Jon Kempster

Helena Feltham

Company Secretary

Harn Jagpal

Company number

08397584

Registered Office

Central House
Beckwith Knowle
Harrogate HG3 1UG

Auditor

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds LS1 4DA

Nominated adviser and broker

FinnCap plc
60 New Broad Street
London EC2M 1JJ

Registrars

Link Asset Services
Arlington Business Centre
Millshaw Park Lane
LS11 0PA

Financial adviser

Oakley Advisory
3 Cadogan Gate
London
SW1X 0AS

Legal advisors to the Group

Clarion Solicitors
Elizabeth House
13-19 Queen Street
Leeds LS1 2TW