AdEPT Telecom plc

("AdEPT" or the "Company")

Interim results for the 6 months ended 30 September 2016

AdEPT, one of the UK's leading independent communications integrator and managed service providers, announces its unaudited results for the 6 months ended 30 September 2016.

Highlights

Revenue and EBITDA

- Total revenue increased by 19% to £16.5 million (2015: £13.9 million)
- EBITDA increased by 20% to £3.5 million (2015: £2.9 million)
- EBITDA margin increased to 21.4% (2015: 21.1%)

- Managed service revenue accounted for 53% of total revenue (2015: 41%)
- Managed services revenue increased by 53% to £8.8 million (2015: £5.7 million)

EPS and Dividends

- Adjusted EPS increased by 12% to 11.1p (2015: 9.9p)
- Interim dividend increased by 25% to 3.75p per share (2015: 3.00p)

Cash Flow and Debt

- Operating cash flow before tax of £3.2 million (2015: £2.5 million)
- Reported EBITDA to pre-tax cash from operating activities 98.9% (2015: 89.8%)
- Net debt of £10.8 million (2015: £7.6 million), after £6.6 million acquisition payments

Acquisitions

- Acquisition of Comms Group UK Limited completed in May 2016
- Comms Groups UK Limited 5 month revenue contribution equating to 12% of revenue increase
- Acquisition of CAT Communications Limited completed post period end in November 2016

Business review

Total revenue increased by 19% to £16.5 million with the increase being a reflection of the 5 month revenue contribution from Comms Group UK Limited ("Comms") following the completion of the acquisition in May 2016. Comms is a UK based specialist provider of unified communications, Avaya IP telephony, hosted IP solutions, IT and managed services, which is an increasing requisite for AdEPT's existing and targeted enterprise and public sector customer base. Comm's technical skills and product set complement and enhance AdEPT's existing services, particularly in the Fleet office. Comms is an Avaya specialist and the acquisition has enabled AdEPT to offer a complete suite of unified communications products and services to customers of all sizes, from small retail through to large enterprise customers. Comms contributed 12% of the revenue increase in the interim period, which is in line with the expectation set at the date of acquisition.

AdEPT has had continued success in the public sector and healthcare space during the period, winning a number of new contracts with councils and other public sector bodies. Over the last 36 months, AdEPT has been successful in gaining new contracts with public sector and healthcare organisations as a result of its various framework agreements. This has seen an increase in contracts with 40 councils at the end of the interim period from 28 as at 30 September 2015. The acquisition of Centrix provided a complementary customer focus both in terms of size and sector. The Comms customer base was primarily small enterprise customers; however the continued targeting of larger contracts at Fleet and Tunbridge Wells has maintained the Premier Customer division (customers spending more than £5,000 per annum) proportion across the Group. The Premier Customer division accounted for 72% of total recurring revenue at 30 September 2016 which is in line with the prior period (September 2015: 70%). The contract success through AdEPT's frameworks resulted in the public and healthcare sector customer base being extended and accounted for 29% of total revenue at 30 September 2016 (September 2015: 24%).

AdEPT continues to transition successfully from a traditional fixed line service provider to a complete communications integrator offering best of breed products from all major UK networks. Revenue from managed services, including data connectivity, hardware and cloud-based contact centre solutions, increased by 53% to £8.8 million and accounted for 53% of total revenue for the six months ended 30 September 2016 (September 2015: 41%).

Financing and cash flow

Cash generated from operating activities before tax increased by 39.5% to £3.2 million (September 2015: £2.3 million), which equates to a 98.9% reported EBITDA conversion (after £0.3 million acquisition fees). This increase is driven by the improved profit before tax whilst maintaining working capital terms and therefore driving high cash flow conversion.

Dividends paid in the period absorbed £0.7 million of funds (September 2015: £0.5 million), which is a reflection of the progressive dividend policy of the Board. The Company operates a capex-light model and therefore capital expenditure was low at 0.6% of revenue.

£3.6 million of available funds (net of cash acquired) was used to fund the initial cash consideration for the acquisition of the entire issued share capital of Comms on 1 May 2016. The interim results for the current period include a 5 month contribution from Comms, further details of which are included in Note 6. Deferred consideration of £3.0 million in respect of the Centrix acquisition (in May 2015) was paid during the period, with no further amounts due.

Net borrowings have increased to £10.8 million at 30 September 2016, largely as a result of the £6.5 million acquisition payments. Net Debt:EBITDA (annualised) ratio remained low at 1.5x at 30 September 2016.

Post-balance sheet events

On 1 November 2016 the Company acquired the entire issued share capital of CAT Communications Limited and Progressive Communications Limited (together referred to as 'CAT') for an initial consideration of £1.05m less the net debt of CAT at completion (approximately £0.07m), payable in cash. Further contingent consideration of between £0.2m and £0.95m will be payable, also in cash, dependent upon the performance of CAT post-acquisition.

CAT, based in Pewsey, Wiltshire, is a well-established UK-based specialist provider of unified communications, Avaya IP telephony, hosted IP solutions and managed services. CAT offers the delivery of complex unified communications, managed service solutions and specialist inbound call centre management to its customer base across the UK, and further supporting customers with global deployment planning and solutionsin Europe. The support function of the CAT customer base is to be transferred and integrated into AdEPT's existing site in Fleet. CAT has a high level of recurring revenue and offers a well-developed customer base with which it enjoys long term relationships. The Board believes that the CAT technical skills and product set, particularly in relation to Avaya Aura, will complement and enhance AdEPT's existing services already being provided from the Fleet office. The acquisition is expected to be earnings accretive from completion.

The last filed accounts of CAT for the year ended 31 March 2015 reported turnover, operating profit and profit before tax of £1.3m, £0.3m and £0.3m respectively. Capital expenditure in the year ended 31 March 2015 was insignificant. Net and gross assets at that date were £0.2m and £0.7m respectively. Acquisition related costs of approximately £0.1m will be recognised as an expense in the statement of comprehensive income for the year ending 31 March 2017.

Profit before and after tax and earnings per share

Reported profit before tax increased by 26% to £1.5 million (2015: £1.2 million) and reported profit after tax increased by 23% to £1.0 million (2015: £0.8 million). Both of these increases are a reflection of the improved operating profit over the prior period, less the movement in interest charges and tax liability respectively.

Adjusted (basic) earnings per share has increased 12% to 11.1p for the six months ended 30 September 2016 (September 2015: 9.9p) as a result of the £0.6 million increase to underlying EBITDA, less the additional tax liability.

Dividends

The Directors have declared an interim dividend of 3.75p per Ordinary Share in respect of the period ended 30 September 2016, an increase of 25% over the interim dividend for the comparative period (September 2015: 3.00p). This will absorb approximately £0.8 million of shareholders' funds (September 2015: £0.5 million). It is proposed by the Directors that this dividend will be paid on 7 April 2017 to shareholders who are on the register of members on the record date of 17 March 2017. Subject to the audited results for the year ending 31 March 2017, it is the intention of the Board to propose a final dividend with the March 2017 final results.

Dividend cover for the interim period was 3.0x (September 2015: 3.3x). Strong free cash flow generation has continued since the end of the period, and there continues to be considerable scope for the Board to continue its progressive dividend policy.

Outlook

This has been another excellent 6 months with completion of an earnings enhancing acquisition during the period. Improved results in all key areas have been achieved from the underlying business combined with a positive contribution from the Comms acquisition completed in the period. Since the end of the interim period, the completion of the CAT Communications acquisition is expected to be earnings accretive from the date of completion and complements the existing skill set of the Fleet office to support enterprise customers. We continue to be highly cash generative with adequate debt facilities in place to enable the Board to continue to identify earnings-enhancing acquisitions whilst retaining scope for a progressive dividend policy.

Roger Wilson
Chairman
14 November 2016

This announcement contains inside information for the purposes of Article 7 of EU Market Abuse Regulation 596/2014.

Enquiries:

AdEPT Telecom

Roger Wilson, Chairman	07786 111535
Ian Fishwick, Chief Executive	01892 550225
John Swaite, Finance Director	01892 550243

Northland Capital Partners Limited 0203 861 6625
Nominated Adviser
Edward Hutton/Gerry Beaney

Broking
John Howes/Abigail Wayne

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 September 2016 £'000	30 September 2015 £'000
REVENUE		**16,533**	13,908
Cost of sales		**(9,831)**	(8,326)
GROSS PROFIT		**6,702**	5,582
Administrative expenses		**(4,862)**	(4,185)
OPERATING PROFIT		**1,840**	1,397
Total operating profit – analysed:			
Operating profit before acquisition fees, share-based payments, depreciation and amortisation		**3,532**	2,940
Share-based payments		**(12)**	-
Acquisition fees		**(292)**	(390)
Depreciation of tangible fixed assets		**(149)**	(64)
Amortisation of intangible fixed assets		**(1,239)**	(1,089)
Total operating profit		**1,840**	1,397
Finance costs		**(367)**	(230)
Finance income		**-**	1
PROFIT BEFORE INCOME TAX		**1,472**	1,168
Income tax expense		**(457)**	(345)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,016**	823
Attributable to:			
Equity holders		**1,016**	823
Earnings per share			
Basic earnings per share (pence)	3	**4.5p**	3.7p
Diluted earnings per share (pence)	3	**4.3p**	3.5p
Adjusted earnings per share, after adding back amortisation			
Basic earnings per share (pence)	3	**11.1p**	9.9p
Diluted earnings per share (pence)	3	**10.5p**	9.3p

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 September 2016 £'000	30 September 2015 £'000	*31 March 2016 £'000*
ASSETS			
Non-current assets			
Intangible assets	**28,499**	23,599	*23,263*
Property, plant and equipment	**566**	212	*524*
Deferred income tax	**67**	107	*56*
	29,132	23,918	*23,843*
Current assets			
Inventories	**184**	63	*48*
Trade and other receivables	**4,721**	4,034	*4,360*
Cash and cash equivalents	**1,579**	1,470	*6,166*
	6,484	5,567	*10,574*
Total assets	**35,616**	29,485	*34,417*
LIABILITIES			
Current liabilities			
Trade and other payables	**9,359**	7,799	*8,753*
Income tax	**356**	39	*335*
Short term borrowings	**-**	1,189	*-*
	9,715	9,027	*9,088*
Non-current liabilities			
Long term borrowings	**12,367**	7,911	*12,148*
Total liabilities	**22,082**	16,938	*21,236*
Net assets	**13,534**	12,547	*13,181*
SHAREHOLDERS' EQUITY			
Share capital	**2,248**	2,230	*2,248*
Share premium	**429**	335	*429*
Capital redemption reserve	**16**	12	*16*
Retained earnings	**10,841**	9,970	*10,488*
Total equity	**13,534**	12,547	*13,181*

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of parent					
	Share capital £'000	Share premium £'000	Share capital to be issued £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Equity at 1 April 2015	2,230	335	58	12	9,640	12,275
Profit for 6 months ended 30 September 2015	-	-	-	-	823	823
Share based payments	-	-	1	-	-	1
Dividend	-	-	-	-	(552)	(552)
Balance at 30 September 2015	**2,230**	**335**	**59**	**12**	**9,911**	**12,547**
Profit for 6 months ended 31 March 2016	-	-	-	-	1,141	1,141
Dividend	-	-	-	-	(507)	(507)
Deferred tax asset adjustment	-	-	-	-	(23)	(23)
Share based payments	-	-	(3)	-	-	(3)
Issue of share capital	22	94	-	-	-	116
Shares repurchased and cancelled	(4)	-	-	4	(90)	(90)
Balance at 31 March 2016	**2,248**	**429**	**56**	**16**	**10,432**	**13,181**
Profit for 6 months ended 30 September 2016	-	-	-	-	1,016	1,016
Share based payments	-	-	12	-	-	12
Dividend	-	-	-	-	(675)	(675)
Balance at 30 September 2016	**2,248**	**429**	**68**	**16**	**10,773**	**13,534**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended		*Year ended*
	30 September	30 September	*31 March*
	2016	2015	*2016*
	£'000	£'000	*£'000*
Cash flows from operating activities			
Profit before income tax	**1,473**	1,168	*2,750*
Depreciation and amortisation	**1,388**	1,153	*2,403*
Profit on sale of fixed asset	**-**	-	*(2)*
Share based payments	**12**	-	*(2)*
Net finance costs	**367**	229	*612*
Decrease in inventories	**9**	-	*14*
Decrease/(increase) in trade and other receivables	**256**	(485)	*(803)*
Increase/(decrease) in trade and other payables	**(311)**	225	*666*
Cash generated from operations	**3,194**	2,290	*5,638*
Income taxes paid	**(448)**	(603)	*(855)*
Net cash from operating activities	**2,746**	1,687	*4,783*
Cash flows from investing activities			
Interest paid	**(190)**	(160)	*(318)*
Acquisition of trade and assets	**(6,576)**	(6,990)	*(7,058)*
Purchase of intangible assets	**(23)**	(164)	*(194)*
Sale of property, plant and equipment	**-**	-	*14*
Purchase of property, plant and equipment	**(108)**	(84)	*(532)*
Net cash used in investing activities	**(6,897)**	(7,398)	*(8,088)*
Cash flows from financing activities			
Dividends paid	**(674)**	(502)	*(1,059)*
Payments made for share repurchases	**-**	-	*(90)*
Share capital issued	**-**	-	*114*
Repayment of borrowings	**-**	-	*(9,988)*
Increase in bank loan	**238**	5,589	*18,400*
Net cash (used in)/from financing activities	**(436)**	5,087	*7,377*
Net increase/(decrease) in cash and cash equivalents	**(4,587)**	(624)	*4,072*
Cash and cash equivalents at beginning of period/year	**6,166**	2,094	*2,094*
Cash and cash equivalents at end of period/year	**1,579**	1,470	*6,166*
Cash at bank and in hand	**1,579**	1,470	*6,166*
Bank overdrafts	**-**	-	*-*
Cash and cash equivalents	**1,579**	1,470	*6,166*

ACCOUNTING POLICIES

1 Basis of preparation

The financial information set out in this interim report, which has not been audited, does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The Company's statutory financial statements for the year ended 31 March 2016, prepared under International Financial Reporting Standards, were approved by the board of directors on 4 July 2016 and have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified, did not contain any emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the EU. Comparatives for the year ended 31 March 2016 have been extracted from the audited statutory accounts.

2 Accounting policies

The same accounting policies, presentation and methods of computation are followed in this interim report as were applied in the preparation of the Company's annual financial statements for the year ended 31 March 2016.

3 Earnings per share

	Six months ended		*Year ended*
	30 September 2016	30 September 2015	*31 March 2016*
	£'000	£'000	*£'000*
Earnings for the purposes of basic and diluted earnings per share			
Profit for the period attributable to equity holders of the parent	**1,016**	823	*1,964*
Amortisation	**1,180**	997	*2,024*
Acquisition fees	**292**	390	*389*
Adjusted profit attributable to equity holders of the parent, adding back acquisition fees, amortisation and non-recurring costs	**2,488**	2,208	*4,377*
Number of shares			
Weighted average number of shares used for earnings per share	**22,457,567**	22,297,400	*22,364,213*
Dilutive effect of share plans	**1,189,808**	1,440,759	*1,244,500*
Diluted weighted average number of shares used to calculate fully diluted earnings per share	**23,647,375**	23,738,159	*23,608,713*
Earnings per share			
Basic earnings per share (pence)	**4.5p**	3.7p	*8.8p*
Fully diluted earnings per share (pence)	**4.3p**	3.5p	*8.3p*
Adjusted earnings per share, after adding back acquisition fees, amortisation and non-recurring costs			
Adjusted basic earnings per share (pence)	**11.1p**	9.9p	*19.6p*
Adjusted fully diluted earnings per share (pence)	**10.5p**	9.3p	*18.5p*

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

Adjusted earnings per share is calculated by dividing the profit attributable to equity holders of the Company (after adding back amortisation) by the weighted average number of ordinary shares in issue.

Fully diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares by existing share options, assuming dilution through conversion of all existing options.

4 Segmental information

The chief operating decision maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are fixed line services and managed services, which incorporates cloud-based contact centre solutions, data connectivity, mobile, hardware and VoIP services. These are reported in a manner consistent with the internal reporting to the Board. The Board assesses the performance of the operating segments based on revenue, gross profit and EBITDA.

Unaudited Unaudited (restated)

	6 months ended 30 September 2016				6 months ended 30 September 2015			
	Fixed line services	**Managed services**	**Central costs**	**Total**	Fixed line services	Managed services	Central costs	Total
Revenue	**7,772**	**8,761**	**-**	**16,533**	8,174	5,734	-	13,908
Gross profit	**3,158**	**3,544**	**-**	**6,702**	3,211	2,371	-	5,582
Gross margin %	**40.6%**	**40.5%**	**-**	**40.5%**	39.3%	41.3%	-	40.2%
EBITDA	**1,681**	**1,851**	**-**	**3,532**	1,790	1,150	-	2,940
EBITDA %	**21.6%**	**21.1%**	**-**	**21.4%**	21.9%	20.1%	-	21.1%
Amortisation	**-**	**-**	**(1,239)**	**(1,239)**	-	-	(1,089)	(1,089)
Depreciation	**-**	**-**	**(149)**	**(149)**	-	-	(64)	(64)
One-off costs	**-**	**-**	**(292)**	**(292)**	-	-	(390)	(390)
Share-based payments	**-**	**-**	**(12)**	**(12)**	-	-	-	-
Operating profit/(loss)	**1,681**	**1,851**	**(1,692)**	**1,840**	1,790	1,150	(1,543)	1,397
Finance costs	**-**	**-**	**(367)**	**(367)**	-	-	(229)	(229)
Income tax	**-**	**-**	**(457)**	**(457)**	-	-	(345)	(345)
Profit after tax	**1,681**	**1,851**	**(2,516)**	**1,016**	1,790	1,150	(2,117)	823

	Audited Year ended 31 March 2016			
	Fixed line services	*Managed services*	*Central costs*	*Total*
Revenue	*16,089*	*12,792*	-	*28,881*
Gross profit	*6,194*	*5,440*	-	*11,634*
Gross margin %	*38.5%*	*42.5%*	-	*40.3%*
EBITDA	*3,512*	*2,641*	-	*6,153*
EBITDA %	*21.8%*	*20.6%*	-	*21.3%*
Amortisation		-	*(2,216)*	*(2,216)*
Acquisition costs	-	-	*(389)*	*(389)*
Depreciation	-	-	*(188)*	*(188)*
Share-based payments	-	-	*2*	*2*
Operating profit/(loss)	*3,512*	*2,641*	*(2,791)*	*3,362*
Finance costs	-	-	*(612)*	*(612)*
Income tax	-	-	*(786)*	*(786)*
Profit after tax	*3,512*	*2,641*	*(4,189)*	*1,964*

The assets and liabilities relating to the above segments have not been disclosed as they are not separately identifiable and are not used by the chief operating decision maker to allocate resources. All segments are in the UK and all revenue relates to the UK. For the six months ended 30 September 2016, transactions with the largest customer of the Group accounted for 12.5% of revenue. The segmental analysis for the six months ended 30 September 2015 has been restated to be consistent with the overhead cost allocations in the audited financial statements for the year ended 31 March 2016.

5 Share options

Details of the share options outstanding during the period are as follows:

	6 months ended 30 September 2016		6 months ended 30 September 2015		*Year ended 31 March 2016*	
	Number of shares under option	**Weighted average exercise price**	Number of shares under option	Weighted average exercise price	*Number of shares under option*	*Weighted average exercise price*
Outstanding at start of period	**1,469,840**	**49p**	1,440,759	20p	*1,440,759*	*20p*
Granted during the period	**-**	**-**	-	-	*240,000*	*222p*

Forfeited during the period	**-**	**-**	-	-	*10,789*	*11p*
Exercised during the period	**-**	**-**	-	-	*(221,708)*	*52p*
Outstanding at end of period	**1,469,840**	**49p**	1,440,759	20p	*1,469,840*	*49p*

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

	30 September 2016	30 September 2015	*31 March 2016*
Risk free interest rate	**-**	-	*2.69%*
Expected volatility	**-**	-	*22.0%*
Expected option life (years)	**-**	-	*3.0*
Expected dividend yield	**-**	-	*2.9%*
Weighted average share price	**-**	-	*222p*
Weighted average exercise price	**-**	-	*222p*
Weighted average fair value of options granted	**-**	-	*30p*

The expected average volatility was determined by reviewing the last 260 historical fluctuations in the share price prior to the grant date of each share instrument. An expected take up of 100% has been applied to each share instrument. Expected dividend yield is estimated at 2.5% which is based upon the actual dividend yield for the period ended 30 September 2016. It does not bear any relation to the future dividend policy of AdEPT Telecom plc.

The mid-market price of the ordinary shares on 30 September 2016 was 237.5p and the range during the period was 72.5p.

The share option expense recognised during the period in the statement of comprehensive income was £12,110 (September 2015: £415).

6 Business combinations

On 1 May 2016 the Company acquired the entire issued share capital of Comms Group UK Limited ('Comms') for an initial consideration of £3.6 million plus the value of the cash balance of Comms at completion (approximately £1.1 million), payable in cash. Further contingent deferred consideration of between £0.5 million and £3.5 million will be payable, also in cash, dependent upon the performance of Comms post-acquisition. The contingent deferred consideration will be determined by reference to the forecast churn/growth rate for the gross margin of the acquired business and applying the contingent deferred consideration matrix as specified in the share purchase agreement. The fair value of contingent deferred consideration has been determined by reference to the growth rate for the gross margin of the acquired business and applying the contingent deferred consideration matrix as specified in the share purchase agreement. The contingent consideration liability of £3.1 million has been discounted at the Group's weighted average cost of capital with the value of the discount of £0.25 million being included within finance costs over the deferred consideration period as an interest charge. Total consideration is expected to be £6.47 million (net of the surplus cash acquired).

Comms, based in Northampton, is a well-established UK-based specialist provider of unified communications, Avaya IP telephony, hosted IP solutions, IT and managed services. Comms offers its clients the delivery of unified communications and managed service solutions, which is an increasing requisite for AdEPT's existing and targeted enterprise and public sector customer base. Comms technical skills and product set will complement and enhance AdEPT's existing services. Comms has retained its presence and customer service operation in Northampton. The vendors of Comms are to be retained in their current capacity within the business for a period of at least twelve months post-acquisition.

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

	Book cost £'000	Fair value £'000
Intangible asset	—	6,413
Investments	55	55
Property, plant and equipment	28	28
Inventories	145	145
Trade and other receivables	794	794
Cash and cash equivalents	1,055	1,055
Trade and other payables	(965)	(965)
Income tax	—	—
Net assets	**1,112**	**7,525**
Cash		(4,637)
Contingent cash consideration		(2,888)
Fair value total consideration		(7,525)
Goodwill		—

Comms contributed revenue and profit after tax of £1.6m and £0.3m respectively for the six month period ended 30 September 2016 and represents a five month contribution. Acquisition related costs of £0.4m have been recognised as an expense in the statement of comprehensive income for the year ending 31 March 2016.Acquisition related costs of approximately £0.29 million have been recognised as an expense in the statement of comprehensive income for the period ended 30 September 2016.

7 Events after the balance sheet date

On 1 November 2016 the Company acquired the entire issued share capital of CAT Communications Limited and Progressive Communications Limited (together referred to as 'CAT') for an initial consideration of £1.05m plus the value of the cash balance of CAT at completion (approximately (£0.07m) debt), payable in cash. Further contingent consideration of between £0.2m and £0.95m will be payable, also in cash, dependent upon the performance of CAT post-acquisition. The contingent deferred consideration will be determined by reference to the forecast churn/growth rate for the gross margin of the acquired business and applying the contingent deferred consideration matrix as specified in the share purchase agreement. The fair value of the assets and the contingent consideration liability have not yet been identified at the date of these interim results as the completion balance sheet was not available and there have been no post-acquisition period financial results.

CAT, based in Pewsey, Wiltshire, is a well-established UK-based specialist provider of unified communications, Avaya IP telephony, hosted IP solutions and managed services. CAT offers its clients the delivery of complex unified communications, managed service solutions and specialist inbound call centre management, which is an increasing requisite for AdEPT's existing and targeted enterprise and public sector customer base.

The support function of the CAT customer base is to be transferred and integrated into AdEPT's existing site in Fleet. The vendors of CAT are to be retained in their current capacity within the business for a period of at least twelve months post-acquisition. The CAT technical skills and product set will complement and enhance AdEPT's existing services already being provided from the Fleet office.

The last filed accounts of CAT for the year ended 31 March 2015 reported turnover, operating profit and profit before tax of £1.3m, £0.3m and £0.3m respectively. Capital expenditure in the year ended 31 March 2015 was insignificant. Net and gross assets at that date were £0.2m and £0.7m respectively. Acquisition related costs of approximately £0.1m will be recognised as an expense in the statement of comprehensive income for the year ending 31 March 2017.