12 July 2022

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. It forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

ADEPT TECHNOLOGY GROUP PLC
("AdEPT" or the "Company" or the "Group")

FINAL RESULTS 2022
Successful acquisition, growing revenues, consistent margins and reinstatement of dividend

AdEPT, one of the UK's leading independent providers of managed services for IT, connectivity, unified communications solutions, and cloud services, is pleased to announce its final results for the full year ended 31 March 2022 ("FY22").

Financial highlights

- Revenue increased 18% to £68.1m (FY21: £57.9m)
- Underlying EBITDA increased 21% to £11.9m (FY21: £9.8m)[1]
- Adjusted fully diluted earnings per share increase 23% to 27.5p (FY21: 22.3p)[2]
- Reinstatement of dividend at: 1.0p per share (FY21: nil)
- Cloud Centric Strategic Services increased 7% on a pro-forma organic revenue basis
- Gross Profit increased 17% to £32.4m (FY21: £27.6m)
- Underlying EBITDA margin 17% (FY21: 17%)
- Strong cash generation from operating activities after tax £8.1m (FY21: £7.4m)
- Conversion of reported EBITDA to operating cash flow before tax of 108% (FY21: 89%)
- Year-end net senior debt £29.4m (FY21: £25.6m)[3] after payment of initial consideration for Datrix acquisition
- Cap-ex light - maintained at 2% of revenue (FY21: 2%)

Operational highlights

- Acquisition of Datrix in April 2021, expanded the Group's portfolio of capabilities
- Strategic focus now solely to the delivery of strong organic growth and the reduction of senior debt
- Project Fusion, the creation of ONE AdEPT, completed – providing a single set of financial and operational systems and a scalable platform for growth
- Revenue from Public Sector & Healthcare 56.5% (FY21: 55.5%)
- Recurring revenues remains strong representing 73.6% of revenue (FY21: 74.1%)
- Cloud Centric Strategic Services revenues up 18% to £29.5m (FY21: £25.1m)
- Traditional Telephony, as a percentage of total revenues, reduced to 13% (FY21: 19%)
- Managed services now comprises 87% of revenue and EBITDA (FY21: 81%)
- Strong client acquisition - over 100 new customer wins including, Multi-Academy Trust, the Co-op and the TUC

Outlook

- Momentum gained in Q4 FY22 has continued into Q1 FY23 with strong recurring order intake
- Demand anticipated to rise as clients continue to assess their long-term ICT requirements
- Well invested Group with clear strategic objectives and strong infrastructure for growth
- Board optimistic for the future of the technology market, and in turn for the prospects of AdEPT

[1] *Defined as operating profit after adding back depreciation, amortisation, acquisition fees, restructuring costs, adjustment to deferred consideration and share-based payment charges*
[2] *Profit before tax adding back amortisation, share options charges, the taxation deduction on purchased customer contracts, deferred tax credits on amortisation charges, restructuring and acquisition costs*
[3] *Net senior debt is defined as cash and cash equivalents less short-term and long-term senior bank borrowings and prepaid bank fees*

Phil Race, Chief Executive Officer of AdEPT, said: "The Board is pleased with the progress achieved during the year under review and the Group's performance in the face of the many, well-documented macro challenges. Given our focus on this aspect of our business the pro-forma organic growth in Cloud Centric Strategic Services is a particular highlight of the period.

"The acquisition of Datrix, in April 2021, significantly extended the Group's capabilities and enabled AdEPT to increase its potential 'wallet share' in the ever-expanding ICT space. The introduction of new partnerships and services that allow AdEPT to tap into the fast-growing markets of Software Defined Wide Area Networking (SD-WAN) and Secure Access Service Edge (SASE) is leading to significant sales successes. During the Period this team secured significant projects with organisations, including Nottinghamshire County Council, the Royal Surrey County Hospital, Public Health England and Trident IP.

"Our newly developed ONE AdEPT platform enabled the rapid integration of the Datrix business, ahead of plan, and has created a efficient business with a strong infrastructure for growth.

"The technology market is vibrant and growing, underpinned by the evolution of our working patterns, during and after the pandemic, and the need for business-critical cyber security across all digital services. The new financial year has started well, with the Group building on the momentum gained in Q4. This, combined with our comprehensive portfolio of capabilities, our extensive and strong industry partnership and numerous flagship references from across the public and private sectors, gives us confidence in prospects for the Group both in the year ahead and beyond."

The person responsible for the disclosure of this announcement for the purposes of EU Regulation 596/2014 is John Swaite, Finance Director.

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About AdEPT:
AdEPT Technology Group plc is one of the UK's leading independent providers of managed services for IT, unified communications, connectivity and voice solutions. AdEPT's tailored services are used by thousands of customers across the UK and are brought together through the strategic relationships with tier-1 suppliers such as Microsoft, CATO, Extreme, Openreach, BT Wholesale, Virgin Media, Fortinet, Avaya, Gamma, 8X8, and Dell.

AdEPT is quoted on AIM, operated by the London Stock Exchange (Ticker: ADT). For further information please visit: www.adept.co.uk.

CHAIRMAN'S STATEMENT

It is with great pleasure that I announce the Group's annual results for the year ended 31 March 2022. I am very encouraged by the resilient performance of AdEPT during FY22, with a successful acquisition, growing revenues and consistent margins, organic advances in our Cloud Centric activities and an increase in adjusted earnings per share.

Our strategy of consolidation has created a powerful business, with the recent Datrix acquisition significantly extending our capability into leading edge software-defined networks and related security products. The Group is now well positioned to capture increasing 'wallet share' in the ever-expanding Information, Communication and Technology ('ICT') space. We have also completed Project Fusion – an initiative to bring all of the Group's businesses onto a single operating platform: ONE AdEPT, delivering enhanced operational agility, business insight and organisational effectiveness.

The ability to deliver an extensive portfolio, coupled with the completion of Project Fusion, underpins the Group's decision to focus on organic growth and debt reduction.

Results

We achieved a pleasing 21% uplift in our underlying EBITDA, to £11.9m (FY21: £9.8m), despite being constrained by project delays due to the ongoing worldwide microchip shortage. It is worth noting that our sales and delivery teams secured over £30m of total contract value orders in FY22, with an uptick in the last quarter laying strong foundations for FY23 and driving proforma organic growth of 2% in underlying EBITDA in the year under review.

The 18% rise in revenues to £68.1m (FY21: £57.9m), mirrored by the 17% rise in gross profit (from £27.6m in FY21 to £32.4m in FY22) includes the full year contribution of the acquired Datrix business.

Our 'Cloud first' sales strategy continues to drive growth, with Cloud Centric Strategic Services revenues up 18% year on year to £29.5m (FY21: £25.1m) representing 43% of revenues and growing organically (discounting for the Datrix acquisition) at 7%. The move to the cloud, the requirement for hosted applications, cloud hosted telephony solutions and the rise in demand for a broad range of Microsoft propositions continues unabated. AdEPT's own cloud platform, AdEPT Nebula, forms a successful part of this and now supports more than 650 customers.

Support services revenues increased by £5.3m to £17.1m (FY21: £11.8m), the majority of which resulted from the acquisition of Datrix.

Our concerted drive to assist customers with the transition to cloud telephony and managed services continues. We have been successful in migrating many customers away from the traditional on-desk telephone to alternative solutions, in particular Voice over IP (VoIP)[1], Session Internet Protocol (SIP) [1] and Teams collaboration from Microsoft. Overall cloud telephony revenues increased by 49% year on year to £4.0m (FY21: £2.7m) and there was a 35% rise in AdEPT Nebula cloud telephony seats to 2,812 in the period.

As a result of this focus, Managed Services now accounts for 87% of both total revenue and EBITDA (2021: 81%).

[1] *VoIP and SIP are complementary technologies that enable any type of communication over the internet. VoIP is separately used for IP telephony to transfer the voice traffic through data networks, whereas SIP It's a unified communication tool that controls and enhances VoIP capabilities for businesses to enjoy the swift collaboration that could otherwise be impossible with VoIP alone. SIP also provides SIP trunking, a feature that will allow you to connect to other phone networks even when their internet connection is disconnected.*

Re-instatement of Dividend

Cash generation remained strong with 108% pre-tax cash conversion of EBITDA. AdEPT paid down £5.5m of its loan facility after payment of the initial consideration for Datrix, a clear indication of sound cash and cost management. Our Capex-light strategy continues, with Capex expenditure at 2% of revenue in the year.

As a result of the Group's continued strong cash generation, the Board is proposing a final dividend of 1.0p per share (FY21: nil), payable on 6 October 2022 to shareholders on the register on 16 September 2022 (ex-dividend date being 15 September 2022). The Group is confident that a progressive policy can be maintained.

Strategy
On 7 April 2022, we announced an updated strategy (RNS Number 5511H), which followed an in-depth strategic review, supported by EY Parthenon, exploring; market requirements, customer sentiment, our ability to capture market opportunity, operational capability, and the richness of the AdEPT portfolio.

As a result of this review the Board concluded that the Group was ideally placed to capitalise on its market position and capabilities, and in turn focus on the organic growth opportunities now available, while using its strong cash generation to reduce debt.

The strategy, resulting from this review, is to build upon three pillars: Pillar one – focus on organic growth; Pillar two – structure for success; and Pillar three – reduce gearing, all with the express intent of delivering stakeholder value. Further details are given in the Chief Executive Officer's Review.

Board change
On 7 April 2022, AdEPT announced the retirement of Roger Wilson as a Non-Executive Director from the Board. Roger was a founder investor and has been an inspirational member of the AdEPT Board for 19 years, including 16 years as Chairman and three years as Deputy Chairman. Roger delayed his retirement due to the Covid pandemic.

It has been an absolute delight to work with Roger for so many years. He has been an integral part of the Company and a mentor to many during his time with AdEPT. The Board would like to wish Roger every success in his retirement and thank him for his wise counsel and outstanding contribution.

With two experienced independent Non-Executive Director's on the Board no replacement is required at this time.

Environmental, Social and Governance ("ESG")
AdEPT has a social conscience, with the executive team focused on making the world a better place both for current and future generations. AdEPT has updated the inaugural 17-point plan published during the Summer of 2021 and has made positive progress in advancing its position across each of the three pillars of i) Environmental Responsibility, ii) Social Responsibility, and iii) Governance. This updated plan can be found on AdEPT's investor relations website: www.adept-technology-group.co.uk/.

As part of carbon reduction activities, in our journey to Net Zero, we have undertaken our first cross company carbon measurement activity, to determine our Baseline Emissions Footprint.

It is critical that AdEPT is an exemplary employer to ensure we retain, inspire, and nurture our talent. As part of this goal AdEPT is committed to ensuring diversity, equity, and inclusivity. We have a team from diverse backgrounds and genders, and we continue to foster balance and promote equal opportunities. This mix of skill sets, experience, and backgrounds enables us to perform better.

We are investing in our staff with, for example, concerted training programmes, and we are launching a new flexible benefits platform for our staff this year as part of this critical goal.

We have also undertaken our second Gender Pay Gap Report which showed modest positive progress. However, like many businesses in our sector, this highlights the challenges of hiring women into senior roles. We will use the findings of this report and work with our staff and stakeholders to shape policies that ensure an appropriate gender balance.

Outlook
We cannot ignore the potential impact from the ongoing macro-economic challenges facing the UK, the semiconductor shortages, the spectre of higher inflation, and the war in Ukraine. However, with 74% of our revenues from recurring contracts and a significant amount of re-occurring one-off revenues from existing customers the Board is confident in the strength of its talented team and operations, which have shown resilience and continued to deliver growth.

We are buoyed by the completion of Project Fusion, the strong sales finish to the year, and the performance of the Group in Q4. These bode well for the Group's future performance and demonstrate that our updated strategy will bear fruit in a marketplace that, despite the wider challenges beyond our control, continues to require our skills, solutions and exemplary customer service.

Ian Fishwick
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

AdEPT has a clear mission of 'uniting technology and inspiring people'. This year has seen further advances against this mission - delivering successful projects for public and private sector customers alike, resulting in substantial overall growth. Pleasingly, organic growth in Cloud Centric services was 7%.

During the year, we streamlined the Group's operating structure, moving from five divisions to two, enhanced our relationship with key suppliers who we increasingly treat as partners and delivered several significant projects. Our progress is being driven by a motivated team, achieving high levels of customer satisfaction.

The Datrix acquisition at the start of the period added to our range of leading-edge software-defined network and related security expertise, building on AdEPT's world class Managed Service capabilities, addressing the converging ICT marketplace in which customers are increasingly demanding communications, network infrastructure and IT expertise.

Our success in the year was achieved despite the ongoing macro challenges, primarily electronic chip shortages, which continue to impact Technology Product revenues and the completion of some projects dependent on hardware. We are a resilient business, underpinned by a focus on recurring revenue, which comprises a high percentage of total revenues at 74% (FY21: 74%).

I am particularly heartened by the performance of our sales team, who added over one hundred new customers during the year. Customer demand is steadily gaining momentum across multiple vertical markets and delivered markedly stronger one-off order intake in the last quarter, up over 10% against the preceding nine months. New customer wins including, Multi-Academy Trust the Co-op, the TUC and the contact centre outsourcer, Kura, demonstrate AdEPT's ability to attract respected organisations.

In short, the demand for digitisation continues and is fuelling the growth of AdEPT's Cloud Centric services, with increasing revenues from the provision of managed networks, Microsoft solutions, cloud communications and services relating to cyber security.

A successful acquisition

At the start of this financial year (April 2021), we completed the acquisition of Datrix and declared it a 'game changer'; since then the Datrix team has not disappointed.

Datrix has enabled AdEPT to increase its potential 'wallet share' in the ever-expanding ICT space. The introduction of new partnerships and services that allow AdEPT to tap into the fast-growing markets of Software Defined Wide Area Networking (SD-WAN) and Secure Access Service Edge (SASE) is leading to significant sales successes. During the Period, this team secured significant projects with organisations, including Nottinghamshire County Council, the Royal Surrey County Hospital, Public Health England and Trident IP.

The ONE AdEPT platform enabled the rapid integration of the Datrix business ahead of plan and Datrix is now fully integrated into the AdEPT South & Healthcare division.

A simplifying structure

At the outset of FY22, the AdEPT business was structured as five business divisions: Comms North, Comms South, Education, ITS and Datrix. These each had their own management structures and resultant costs, albeit utilising the same underlying ONE AdEPT platform.

We are constantly looking to optimise AdEPT. As a result of the accelerated progress of Project Fusion, we were able to consolidate the business ahead of plan and, during the final quarter of the year, announced to the AdEPT workforce the formation of a simplified organisational structure centred around two operating divisions – AdEPT North & Education alongside AdEPT South & Healthcare.

This refinement allowed AdEPT to reduce ongoing operating costs by c. £0.6m. Our plan in FY23 is to further enhance customer service and product penetration as a consequence of this change.

Objectives for FY23

Following the review of our strategy as outlined in the Chairman's statement, we are now focused on three pillars:

a) **Pillar one - Drive organic growth.** Through acquisition AdEPT has become a fully capable, Cloud Centric, managed services business, with a highly skilled workforce and the ability to 'wrap' solutions with consulting expertise to keep customers up to date with fast-changing market requirements.

   Following the successful acquisition of Datrix, AdEPT now has the capability to capture a significant 'share of wallet' from its customers through its comprehensive portfolio of products and services, supported by our strategic partners, delivered by the wealth of talent within the business.

   Objective for FY23 - capitalise on our market position, strengthen relationships with our key partners and customers, focus on the growth of our team and its skillset and in turn increase our revenue.

b) **Pillar two - Structure for success.** The ONE AdEPT platform has created a foundation for greater operational efficiency, cross-selling and operational insight. All employees across AdEPT can now take advantage of a single set of operational and financial applications wherever they reside, which facilitates flexible working for our staff.

   This enabled AdEPT to accelerate cost reductions arising from divisional and management consolidation, with the Group transitioning from five business entities at the beginning of FY21 to two, which reflect our geographical and market focus: AdEPT North & Education, and AdEPT South & Healthcare, as we move into FY23.

   Objective for FY23 - improve margins and cross selling through improved operational efficiency, a greater focus on market verticals, enhanced inter-team working and transparent systems.

c) **Pillar three - Reduce gearing.** The Group has a historically low capital expenditure requirement and a proven ability to generate free cash flow. The strategic objective to focus purely on organic growth will facilitate the debt reduction.

   Objective for FY23 - retain Capex-light discipline, constraining expenditure to a c.2% of revenue band, reduce office lease costs and make substantial headway in reducing debt over the Period.

The market we serve

As part of the in-depth strategic review we explored market requirements, customer sentiment, our ability to capture market opportunity, operational capability, and the richness of the AdEPT portfolio. This extensive research revealed several reassuring data points, in particular that we have a large market to attack (the UK Core Addressable Market[2] for AdEPT services being £11bn), with fast growth aspects, in particular cloud services (c. 15% CAGR).

We are already witnessing positive trends in respect of AdEPT's 'cloud first' focus including:

- customers looking to consume cloud hosted offerings through 'as a Service models' (XaaS)
- sustained reliance on cloud and collaboration tools to enable remote working for a distributed workforce, and
- the convergence of Telecom and IT infrastructure with data, voice and applications shifting to the internet.

In addition, the ongoing programme to retire the BT 'copper telephony network' by 2025, otherwise known as the "PSTN[3] switch off", will only serve to accelerate the migration to Voice over IP (VoIP) products, as well as drive higher demand for broadband connections as businesses move to unified communications. These changes encourage conversation with providers like AdEPT and in turn create an opportunity to up-sell other services.

On the back of these trends, we are finding that our consulting services such as Cloud Readiness Assessments, IT Health-checks and Security Risk Assessments are proving useful gateways for clients to explore our extended range of services. These take customers on a journey to investigate our overarching propositions which are to help customers;

- *Be agile* – with seamless workflow and business insight
- *Be unified* – providing cloud flexibility, IT rationalisation, as a service provision and ERP capability
- *Be secure* – across data, the user, the network with security assurance
- *Be resilient* – whether that's the network or systems

- *Be successful* – empowering our customers to engage seamlessly, engage digitally, and engage fast
- *Be a great employer* – with a modern workplace, whilst reducing environmental impact

All of which have great references, powered by our strategic partners and present exciting opportunities.

[2] *CAM is defined as total UK spend by SMBs in the corporate sector (<250 FTE) and all organisations in the public sector on AdEPT's core product offerings (e.g., hosted cloud, voice and connectivity but excludes non-core offerings like IaaS) in regions of the country in which AdEPT has a strong presence (so, excludes Scotland, North England and Northern Ireland)*

[3] *PSTN is the Public Switched Telephone Network*

Investment for growth

The AdEPT strategy is to remain 'Capex light' spending less than 2% of revenues on capital projects. However, AdEPT continues to judiciously invest in AdEPT Nebula, its hybrid cloud platform, as this is proving attractive to those customers on the journey to the cloud.

This platform provides private cloud hosting (60 customers), back-up services (300 customers backing up over 1PetaByte of data), a resilient and cost-effective managed network (227 customers transferring c. 80Gbps over 184Gb bearers), 'as a service' security capability (52 school customers taking filtered connectivity) and a range of complementary services. It is the home for hosted communications, hosted Enterprise Resource Planning (ERP) and hosted School Management Information Systems (MIS) solutions - all in a secure environment.

I am particularly pleased to see our relationships with key strategic partners going from strength to strength, as they are crucial to our success. Our portfolio is impressive - with expertise and references working with globally respected players such as; Microsoft, Cato, Extreme, Avaya, Gamma, LG Ericsson, 8x8, Fortinet and BT.

We are building on this portfolio with an enhanced relationship with Sage, a provider of Enterprise resource planning (ERP) software. ERP software is used by organisations to manage day-to-day business activities, such as accounting, procurement, project management, risk management and compliance, and supply chain operations. AdEPT has become a Sage Intacct reseller, a cloud offering. This is all part of our journey to become a significant 'one stop shop' for our customers.

People

On 31 March 2022, the AdEPT team totalled 340. This talented and diverse team, strengthened by the acquisition of Datrix, is enabling us to achieve increasingly high levels of customer satisfaction and product penetration. We will continue with our aim to be an exemplary employer and I would like to thank everyone across AdEPT for their exceptional commitment in the year.

Current trading and outlook

With our comprehensive portfolio of capabilities, our extensive and strong industry partnerships, many flagship references from the public and private sectors, underpinned by the ONE AdEPT platform, which ensures that the Group operates efficiently, AdEPT is well placed to benefit from the acceleration in strategic IT investment, as clients continue to assess their long-term ICT requirements.

As a result, I remain confident in the long-term market opportunity for AdEPT, which has been enhanced by the dramatic changes to working patterns, coupled with the rising demand for secure digital services in all its guises.

Our mission remains 'uniting technology, inspiring people'. We are optimistic for the future of the technology market, and in turn for the prospects of AdEPT and our highly talented team.

Phil Race
Chief Executive Officer

STRATEGIC REPORT

Principal activities and review of business

The principal activity of the Group is the provision of managed services for cloud, digital platforms, unified communications and connectivity solutions to both domestic and business customers. A review of the business is contained in the Chairman's and CEO's statements on and the highlights are summarised in this strategic report.

Summary of three-year financial performance

	Year ended March				
	2022		**2021**		**2020**
	£'000	**Year on year %**	**£'000**	**Year on year %**	**£'000**
Revenue	68,082	17.7%	57,851	(6.2%)	61,688
Gross profit	32,432	17.3%	27,640	(8.4%)	30,232
Underlying EBITDA	11,892	21.0%	9,830	(16.1%)	11,709
Net senior debt	29,353		25,603		27,938

Revenue and gross margin

Total revenue increased by 17.7% to £68.1m (FY21: £57.9m). The business is split into two primary segments, fixed line (encompassing call revenues and related fixed telephony line provision) and managed services. In respect of managed services versus fixed line revenues, during the year AdEPT has continued to grow its managed services business through a combination of organic contract wins and company acquisition.

The Datrix business was fully integrated into the AdEPT systems and processes with immediate effect following the acquisition in April 2021, and this has yielded not only operational efficiencies with the acquired customer base being supported by a mix of existing and acquired team members but has also delivered customer contract renewals, new organic contract wins and successful cross-sell post-acquisition.

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

	March 2022		***March 2021***	
£'000s	**Revenue**	**Gross margin**	***Revenue***	***Gross margin***
Cloud Centric Strategic Services	29,512	13,214	*25,092*	*11,866*
Support Services	17,127	12,924	*11,817*	*9,965*
Traditional Telephony	8,582	3,199	*10,739*	*3,999*
Technology Products	12,861	3,095	*10,203*	*1,810*
Total	**68,082**	**32,432**	***57,851***	***27,640***

Cloud Centric Strategic Services - Our strategy is to focus on Cloud Centric Strategic Services (a segment including; data connectivity, hosting services, hybrid & public cloud, cloud telephony and professional services). This clear focus with a combination of organic growth plus the acquired contribution from Datrix delivered a £4.4m Year on Year increase in revenues to £29.5m (FY21: £25.1m). On a pro-forma basis Cloud Centric Strategic Services revenues have increased by 6.6% organically.

Revenues from cloud telephony increased by 49.0% year on year to £4.0m (FY21: £2.7m), of which 29.6% is organic uplift and £0.4m is the pro-forma acquisition contribution from Datrix. The organic growth is a result of our successful activities to migrate customers from traditional fixed line products to new IP based solutions combined with success in gaining contracts with new logo customers. This is a trend which has been aided by the increased demands for flexible and remote working resulting from the Covid-19 lockdowns.

Within this segment Professional Services has grown to £5.1m (FY21: £4.5m) which represents 7.7% organic reduction when taking into account the pro-forma Datrix acquisition contribution. This reduction arises mainly due to the inability to deliver project management and installation services associated with the backlog of equipment orders which have been delayed by the global supply chain issues arising firstly from Covid and latterly by the war in Ukraine. The inability to secure equipment supply within normal lead times has delayed the go live and revenue recognition for

many projects, which also has a knock-on impact for revenues associated with the recurring services attached to the equipment, such as data connectivity and support services.

Revenues from data connectivity services have increased by 10.6% to £15.7m (FY21: £14.2m), which is 1.0% organic growth with a 9.6% pro-forma acquisition contribution from Datrix. The demand for faster connectivity and greater bandwidth continues, however during the Covid lockdown period lead times for some new service installations were extended. Despite this challenge, the Group has been successful in continuing to win new logo connectivity customers, whilst also cross-selling and upgrade existing customers to faster and more resilient services.

Support Services - Support Services revenues demonstrated resilience, increasing by £5.3m to £17.1m (FY21: £11.8m) principally through the acquisition contribution from Datrix. Early FY22 was a challenging period for securing new support contracts with businesses being reluctant to change support provider and sign into new term contracts in the aftermath of the pandemic. However, Q4 FY22 saw some change to this situation for telephony and IT services with several notable contract wins including Trident IP, Nottingham County Council and Royal Surrey NHS, all of which should yield benefit in FY23.

Technology Products - An increase of £2.7m revenue from Technology Products (hardware and software sales) was wholly driven by the acquisition contribution from Datrix, with a pro-forma organic reduction of 10.5%. Organic Technology Product revenues were heavily impacted by the supply chain issues arising from the global chip shortage resulting in a substantially increased year end backlog of secured sales orders for which the equipment has an extended lead time (up to 12 months in some cases). In addition, we have seen some continued latency of demand as customers delay investment in strategic infrastructure initiatives. However, whilst Technology Product sales were less resilient the product mix returned to a more normalised mix, which has resulted in an improvement in gross margins (FY22: 24.1% vs. FY21: 18.2%).

Traditional Telephony - The structural decline in Traditional Telephony (fixed line services) has been further accelerated in FY22 with a 20.1% reduction from FY21. This is largely as anticipated given that Openreach is continuing with its strategy to switch off the copper telephone network and there is a clear shift to messaging and IP based services over traditional fixed line and calls services. Additionally, the last 12 months fixed line revenues have been impacted by substantial reductions in call revenue as a result of access restrictions to business premises during the multiple Covid-19 lockdowns resulting in businesses using other means of communication rather than the desk-based telephone. Although the UK lockdowns appear to have now ended, there continues to be low take up for the return to office, and, therefore we do not anticipate a return in call volumes.

The ongoing reduction in the proportion of AdEPT revenues linked to Traditional Telephony is a result of our strategy to diversify away from Traditional Telephony into Cloud Centric Strategic Services. Following the acquisition of Datrix, which had no revenues from Traditional Telephony, and the organic decline Traditional Telephony now accounts for only 13% of Group revenues (FY21: 19%).

Recurring revenues versus one off revenues

In respect of recurring revenues versus one off revenues, the proportion of AdEPT revenue being generated from recurring products and services (being all revenue excluding one-off projects, hardware and software) remains high at 73.6% of total revenue (FY21: 74.1%). All of the managed service product sets include an element of hardware supply and installation services, which, by their nature, are project based and not fixed recurring revenue streams; however, a high proportion of hardware supply and installations are further products and services being supplied to the existing customer base, sometimes classified as 're-occurring revenues'.

Market sector analysis

AdEPT continued to be successful in gaining further traction in the public sector space during the last year through leveraging its approved status on various frameworks. AdEPT is an approved supplier to the Crown Commercial Service under the following frameworks RM3808 Network Services, RM3825 HSCN Access Services, RM1557 G-Cloud, RM6103 Education Technology and RM3804 Technology Services 2. The Group has been successful in winning further new business through a number of these frameworks.

The proportion of total revenue generated from public sector and healthcare customers was 56.5% in the year ended 31 March 2022 (FY21: 55.5%). The proportion has been maintained as the organic customer contract awards have

been split between public sector and commercial customers; and takes into account the acquired Datrix customer base.

The Group is continuing to focus its organic sales efforts on a) selling a wider portfolio to existing customers, b) adding and retaining larger customers whilst complementing this with a new customer acquisition strategy. AdEPT is managing the customer risk with a wide spread of business sectors and low customer concentration, with the top ten customers accounting for 28.0% of total revenue (FY21: 23.0%) and no customer accounting for more than 10% of the total.

Gross margin

Gross margin percentage was stable at 47.6% (2021: 47.8%). The gross margin percentage from managed services reduced to 50.2%, due to third-party support service contracts with the Datrix acquisition blending down the gross margin on Support Services, although noting that these services do not require the same level of in-house support and therefore the operating cost (headcount effort) in relation to these contracts is reduced.

Recurring gross margin was 51.0% (FY21: 51.3%). The marginal reduction reflects the decrease in relative higher margin online back-up services combined with a reduction to software margins from an increased take-up of lower relative margin product, such as Microsoft 365, with this software representing a growing recurring revenue stream.

The gross margin generated from non-recurring products and services reduced to 39.6% (FY21: 40.6%) with the decrease over the prior year driven by an increase in the volume of third-party professional services costs.

The gross margin for fixed line services was flat at 37.3% (FY21: 37.3%) with management of the impact of changes to wholesale input costs through end-user pricing.

Underlying EBITDA

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

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

	2022 £'000	**2021 £'000**
Underlying EBITDA	**11,892**	**9,830**
Acquisition fees	(1,371)	-
Restructuring costs	(2,023)	*(974)*
Share option charge	(62)	*(67)*
Adjustment to deferred consideration	(33)	-
Depreciation	(1,433)	*(1,532)*
Amortisation	(7,246)	*(5,793)*
Profit on sale of assets	-	*133*
Interest	(2,752)	*(2,102)*
Loss before tax	**(3,028)**	***(505)***

Underlying EBITDA increased by 21.0% to £11.9m (FY21: £9.8m), of which 1.6% is organic and 19.4% is the pro-forma acquisition contribution from Datrix. The organic underlying EBITDA growth has been achieved through both organic revenue growth in recurring managed services and operational efficiency from further Project Fusion business process automation and the internal restructuring of the Group from five to two operating divisions.

The Group incurred £2.0m of restructuring costs from the ongoing headcount efficiencies generated from Project Fusion combined with some realignment of the operating cost base of the Group as a result of the streamlining of the senior management team as the business is repositioned to two core operating divisions, AdEPT South & Healthcare

and AdEPT North & Education. These represent redundancy, settlement and salary costs creating a permanent ongoing reduction to the operating costs of the Group and will benefit future periods.

Acquisition fees include the cost of legal and financial due diligence, legal documentation and corporate finance fees in relation to the Datrix acquisition. These also include the one-off cost of the in-depth strategic review conducted by EY Parthenon, exploring market requirements, customer sentiment, our ability to capture market opportunity, operational capability and the richness of the AdEPT portfolio.

Depreciation

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

£0.7m of depreciation relates to the liability accounting under IFRS16 right of use assets (FY21: £0.8m). The Group has no ownership of these assets. The cash cost in respect of the right of use asset leases is included within the cash flow statement under the heading 'Payment of lease liabilities'.

Finance costs

Total interest costs have increased by £0.7m to £2.8m (FY21: £2.1m). This income statement cost includes the notional interest charge for the discounting of the Datrix deferred consideration, plus the amortisation of the bank arrangement fees. Cash paid interest increased by £0.3m (18.3%) to £1.9m largely from the increase in the average level of net borrowings to £31.3m in FY22 (from £26.1m in FY21). The Group has continued to focus on careful management of customer credit terms and working capital as we emerge from the Covid-19 pandemic as it was considered a lead indicator of customer trading and financing challenges. The Group has used treasury management of surplus cash balances to minimise the amount of drawn funds during the year to minimise interest costs.

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

Loss before tax

This year reported loss before tax was £3.0m (FY21: £0.5m). The reduction of £2.5m is driven primarily by £1.4m of acquisition related fees following the acquisition of Datrix in April 2021, combined with £1.0m increase to the restructuring costs from the further headcount efficiencies generated from the Project Fusion initiative combined with some realignment of the operating cost base of the Group as a result of the streamlining of the senior management team as the business is repositioned to two core operating divisions, AdEPT South & Healthcare and AdEPT North & Education.

The operating loss of £0.2m was impacted by non-cash items, including:

- £7.2m amortisation of intangible assets arising from acquisitions undertaken during prior years;
- £0.7m non-cash depreciation; and
- £0.1m share-based payments.

Reported loss before tax for the year of £3.0m includes the following cash items:

- £1.9m cash financing costs;
- £2.0m restructuring costs;
- £1.4m acquisition related fees; and
- £0.7m of depreciation which is a cash item related to lease rentals under IFRS16.

Income tax

The income tax charge in the year has increased to £2.2m (2021: £0.2m credit). This significant movement is driven entirely by the change in the deferred tax provisioning rate from 19% to 25% (the UK Government 2021 Budget announcement of an increase in the tax rate to 25% from 1 April 2023) which has generated an income statement tax debit of £2.8m in relation to the opening deferred tax balance. This is purely an accounting entry which has no cash impact and the deferred tax liability will reverse out with credits to the income statement at the higher rate in future periods, unless there is a subsequent change by the UK Government Policy to the UK corporation tax rate. Excluding

the one-off impact of the change in the deferred tax rate the income tax expense is a net credit of £0.6m (2021: £0.2m credit).

Earnings per share

Adjusted profit before tax, adding back amortisation, restructuring costs and interest costs discounting, removing deferred tax credits, increased 23.0% to £6.9m (FY21: £5.6m).

Basic earnings per share was negative 20.90p (FY21: 1.36p negative), with this figure including the non-cash impact of the £2.8m deferred tax debit for the change in the deferred tax provisioning rate from 19% to 25% Adjusted earnings per share is used to reflect the non-cash nature of items which are charged to the income statement and non-trading items, such as acquisition costs, to give a better indicator of the underlying cash generation of the Group. Adjusted fully diluted earnings per share, based on the profit for the year attributable to equity holders adding back amortisation, share option charges, restructuring and acquisition costs, increased 22.9% to 27.46p per share (FY21: 22.34p).

Dividends and dividend per share

On the back of strong operating cash flow generation AdEPT is declaring a final dividend of 1.0p per share, which is subject to shareholder approval at the annual general meeting later this year. This dividend is expected to be paid on 6 October 2022 to shareholders on the register on 16 September 2022 (ex-dividend date being 15 September 2022). The Board constantly monitors shareholder value and is confident that the continued strong cash generation will support a progressive dividend policy.

Cash flow

The Group benefits from an excellent cash-generating operating model. Low capital expenditure results in a high proportion of underlying EBITDA turning into cash. The proportion of reported EBITDA which turned into net cash from operating activities before income tax was 108.4% (FY21: 89.3%).

The income statement includes many non-cash items, this is a summary of the operating cash flow and other cash movements in net debt:

	2022	*2021*
	£'000	*£'000*
Operating cash flow	**8,499**	***8,856***
Net working capital	608	*(880)*
Payment of lease liabilities	(684)	*(866)*
Free cash flow	**8,423**	***7,110***
Income taxes	(1,024)	*(598)*
Capex	(1,249)	*(1,034)*
Cash interest	(1,897)	*(1,603)*
Cash flow before acquisitions	**4,253**	***3,875***
Acquisition consideration	(8,206)	*(1,798)*
Cash movement in net debt	**(3,953)**	***2,077***
Opening net debt	(25,603)	*(27,993)*
Movement in cash equivalents	(3,953)	*2,077*
Non-cash loan movements	203	*313*
Closing net debt	**(29,353)**	***(25,603)***

Overall working capital efficiency has generated £0.6m of cash during the year, this is despite a £0.3m increase to year end inventories in relation to advance purchase of equipment to secure supply ahead of the busy school Easter holiday period in April 2022. Customer payment periods have been a focus for the Group since the start of the Covid-19 pandemic as they are considered a lead indicator of potential future trading and cash issues within the customer base. At the year end the reported trade receivables were abnormally inflated by £3.3m in relation to a pass-through contract where AdEPT is acting as agent and has no contractual liability and therefore will be recognising the revenue

on an agency basis. Excluding this customer receivable (which has been paid in full post year-end), customer payment periods were 44 days (FY21: 44 days). The Group has consciously continued to meet supplier payments on time throughout the year.

Income taxes paid in cash during the year increased to £1.0m (FY21: £0.6m). There is a £0.1m repayment due from HMRC which has taken longer than expected to be processed due to the decision by the Company to end the HMRC Group Payment Arrangement to reduce the costs of administering the scheme.

Cash interest paid has increased during the year to £1.9m (FY21: £1.6m), which arises from the £5.2m increase in average net borrowings against the prior year in relation to the acquisition consideration paid for Datrix.

Cash outflows FY21 in relation to acquisitions amounted to £8.2m, all of which related to Datrix. The initial consideration of £6.5m was paid upon acquisition, with a further £0.5m paid upon finalisation of the completion net debt, £0.3m paid following the successful completion of the integration of Datrix on to the Project Fusion platform and £0.9m of the escrow funds released upon successful renewal of two key customer contracts.

Capital expenditure

The Group continues to operate an asset-light strategy and has low capital requirements; therefore, expenditure on fixed assets is low at 1.9% of revenue (FY21: 1.8%). The capital expenditure in the current year arises from AdEPT investing a further £0.3m in the development of the network connecting three data centres (which, combined with other capabilities and services, is known as 'AdEPT Nebula'). AdEPT Nebula is built around the core data centre in Orpington, which is owned by AdEPT. The network allows AdEPT to provide its own cloud hosting capability, security, business continuity and disaster recovery, cloud hosted voice, software apps and data connectivity.

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

Over the last 12 months the AdEPT team has continued to work hard on the 'ONE AdEPT' project, christened 'Project Fusion', including initiatives in relation to sales, marketing, CRM systems, human resources, finance and branding. A further investment of £0.5m has been made over the last twelve months, which includes the cost of third-party consultancy and some capitalisation of the internal development teams time spent dedicated to the project. Despite the continued challenges of lockdown and remote working, all operating divisions have been migrated to the centralised CRM and finance platforms, with over 95% of Group employees now using and benefitting the platform.

Payments of lease liabilities

As required under IFRS 16, the balance sheet value of tangible fixed assets includes the discounted value of the remaining lease rentals for any material agreements which have a lease term greater than twelve months. The net present value of any new leases is included in tangible fixed assets. These are not upfront cash purchases as the rentals are paid on a monthly or quarterly basis and therefore the cost is not included within capital expenditure, instead the cash outflows from the lease agreements are included in the cash flow statement under the heading 'Payments of lease liabilities' and amounted to £0.7m in the current year (FY21: £0.9m).

Business combinations

On 12 April 2021 the Company acquired the entire issued share capital of Datrix Limited ('Datrix') a well-established, award-winning supplier of advanced cloud-based networking, communications, and cyber security solutions, headquartered in London, with expertise in the growing Software Defined Wide Area Networking ("SD-WAN") market focused on the public and healthcare sector. The vendors and the senior management team responsible for the strategic direction, technical development and day-to-day operations of Datrix have been retained within the business post-acquisition. Initial consideration of £9.0m, on a debt free cash free basis, was paid in cash. Pursuant to the terms of the share purchase agreement, the effective date of the acquisition was 1 April 2021. Further contingent deferred consideration of up to £7.0m is payable in cash dependent upon the trading performance of Datrix in the 12 month period ended 31 March 2022. The contingent deferred consideration will be determined by reference to the gross margin of the acquired business and applying the contingent deferred consideration calculation as specified in the share purchase agreement. The final amount of deferred consideration of £4.3m was paid on 1 July 2022.

The fair value of the assets and further details on the acquisition are described in Note 21 of the financial statements.

Net debt and bank facilities

A key strength of AdEPT is its consistent, proven ability to generate strong free cash flow and therefore support net borrowings. As a result of the Group's focus on underlying profitability and cash conversion, net operating cash flow after taxes but before bank interest paid of £8.1m was generated during the year ended 31 March 2022 (FY21: £7.4m). This cash flow generation represents 96.2% conversion of reported EBITDA (FY21: 82.7%).

Opening cash plus the free cash flow generated in the year and borrowing drawdowns from the senior debt facility have been used to fund £8.2m acquisition consideration and £1.3m of capital expenditure on tangible and intangible assets. Net senior debt, which comprises cash balances and senior bank borrowings (excluding IFRS 16 liabilities), has increased to £29.4m at the year-end (FY21: £25.6m).

Segmental key performance indicators (KPIs)

The segmental KPIs outlined below are intended to provide useful information when interpreting the accounts. 87% of revenue and EBITDA is generated from Managed Services (FY21: 81% revenue and EBITDA).

	Fixed line services £'000	**Managed services £'000**	**Total £'000**
Year ended 31 March 2022			
Revenue	**8,582**	**59,500**	**68,082**
Gross profit	**3,200**	**29,232**	**32,432**
Gross margin %	**37%**	**49%**	**48%**
Underlying EBITDA	**1,515**	**10,377**	**11,892**
Underlying EBITDA%	**18%**	**17%**	**17%**
Year ended 31 March 2021			
Revenue	*10,739*	*47,112*	*57,851*
Gross profit	*3,999*	*23,641*	*27,640*
Gross margin %	*37%*	*50%*	*49%*
Underlying EBITDA	*1,881*	*7,949*	*9,830*
Underlying EBITDA%	*18%*	*17%*	*17%*

There are no non-financial KPIs which are reviewed regularly by the senior management team.

Section 172 requirements of the Companies Act
The section 172 requirements of the Companies Act in respect of the directors' duty to promote the success of the Company is covered in the Corporate Governance Statement included in these accounts.

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

Customer loss risk
The impact of this is partially mitigated with no customer accounting for more than 10% of the Group revenue. The top ten customers account for approximately 28.0% of revenues. The customer base of the Company is also spread across a wide geographical area and across a wide range of business sectors. We continue to monitor customer churn, develop our customer offering and service delivery. We acknowledge that some of our customers may experience financial pressure as a result of continuing Covid-19 disruption and more recent disruption from the war in Ukraine. To manage this risk, we maintain regular contact with our customers to identify and respond to any risks as early as possible.

Catastrophic event risk
All employees are able to work remotely, and the Group's operational and administrative servers are located and managed such that damage from an outage is minimised. A business continuity plan is in place which is reviewed regularly and enhanced from the results of testing. The Group is increasingly moving to cloud based systems, which are more readily available for a timely response to a catastrophic event. A testimony of the Group's ability to deal with a catastrophic event is the response to the Covid-19 pandemic which saw virtually all of the Group's workforce transition to remote working in the space of a couple of days in March 2020.

Credit risk
The Group extends credit of various durations to customers depending on customer credit worthiness and industry custom and practice for the product or service. In the event that a customer proves unable to meet payments when they fall due, the Group will suffer adverse consequences. To manage this, the Group continually monitors credit terms to ensure that no single customer is granted credit inappropriate to its credit risk. Additionally, a large proportion of our customer receipts are collected by monthly direct debit. The risk is further reduced by the customer base being spread across a wide variety of industry and service sectors.

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

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

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

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

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

John Swaite
Finance director

Consolidated statement of comprehensive income
For the year ended 31 March 2022

	Note	**2022 £'000**	2021 £'000
Revenue	4	**68,082**	57,851
Cost of sales		**(35,650)**	(30,211)
Gross profit		**32,432**	27,640
Other income	5	-	304
Administrative expenses		**(32,708)**	(26,347)
Operating (loss)/profit		**(276)**	1,597
Total operating profit – analysed:			
Underlying EBITDA		**11,892**	9,830
Share-based payments		**(62)**	(67)
Depreciation of tangible fixed assets		**(1,433)**	(1,532)
Amortisation of intangible fixed assets		**(7,246)**	(5,793)
Profit on sale of freehold property		**-**	133
Revaluation of deferred consideration		**(33)**	-
Acquisition fees		**(1,371)**	-
Restructuring costs		**(2,023)**	(974)
Total operating (loss)/profit		**(276)**	1,597
Finance costs	7	**(2,752)**	(2,102)
Loss before income tax		**(3,028)**	(505)
Corporation tax	8	**(194)**	(860)
Deferred tax	8	**(2,010)**	1,025
Income tax expense	8	**(2,204)**	165
Loss for the year		**(5,232)**	(340)
Other comprehensive income		-	-
Total comprehensive income		**(5,232)**	(340)

	Note	**2022**	2021
Earnings per share			
Basic earnings	20	**(20.90p)**	(1.36p)
Diluted earnings	20	**N/A**	N/A

All amounts relate to continuing operations.

Consolidated statement of financial position
As at 31 March 2022

	Note	**31 March 2022 £'000**	Restated 31 March 2021 £'000
Assets			
Non-current assets			
Goodwill	10	**19,908**	17,408
Intangible assets	11	**43,619**	36,895
Property, plant and equipment	12	**1,802**	2,209
Deferred tax asset	13	**-**	-
		65,329	56,512
Current assets			
Inventories	14	**843**	569
Contract assets	5	**422**	978
Trade and other receivables	15	**21,109**	12,406
Income tax		**243**	-
Cash and cash equivalents		**3,714**	13,166
		26,331	27,118
Total assets		**91,660**	83,631
Current liabilities			
Trade and other payables	16	**25,535**	10,884
Contract liabilities	5	**2,657**	2,244
Income tax		**-**	357
Short-term borrowings		**59**	81
		28,251	13,566
Non-current liabilities			
Deferred tax	13	**10,810**	6,700
Convertible loan instrument	17	**6,728**	6,524
Long-term borrowings	17	**33,310**	39,110
Total liabilities		**79,099**	65,900
Net assets		**12,561**	17,731
Equity attributable to equity holders			
Share capital	19	**2,503**	2,503
Share premium		**4,378**	4,378
Share option reserve		**1,237**	1,175
Capital redemption reserve		**18**	18
Retained earnings		**4,425**	9,657
Total equity		**12,561**	17,731

Consolidated statement of changes in equity
For the year ended 31 March 2022

	Attributable to equity holders					
	Share capital £'000	Share premium £'000	Share option reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Equity at 1 April 2020	2,503	4,378	1,108	18	10,375	18,382
Prior year adjustment (Note 2)	-	-	-	-	(378)	(378)
Adjusted equity at 1 April 2020	2,503	4,378	1,108	18	9,997	18,004
Loss for the year	—	—	—	—	(340)	(340)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	(340)	(340)
Share-based payments	—	—	67	—	—	67
Equity at 1 April 2021	2,503	4,378	1,175	18	9,657	17,731
Loss for the year	-	-	-	-	(5,232)	(5,232)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(5,232)	(5,232)
Share-based payments	-	-	62	-	-	62
Equity at 31 March 2022	**2,503**	**4,378**	**1,237**	**18**	**4,425**	**12,561**

Consolidated statement of cash flows
For the year ended 31 March 2022

	2022	2021
	£'000	£'000
Cash flows from operating activities		
Loss before income tax	**(3,028)**	(505)
Depreciation and amortisation	**8,680**	7,325
Adjustment to deferred consideration	**33**	-
Profit on sale of fixed assets	**-**	(133)
Share-based payments	**62**	67
Net finance costs	**2,752**	2,102
Operating cash flows before movements in working capital	**8,499**	8,856
(Increase)/decrease in inventories	**(272)**	43
(Increase)/decrease in trade and other receivables	**(2,856)**	1,643
Increase/(decrease) in trade and other payables	**3,737**	(2,566)
Cash generated from operations	**9,108**	7,976
Income taxes paid	**(1,024)**	(598)
Net cash from operating activities	**8,084**	7,378
Cash flows from investing activities		
Interest paid	**(1,897)**	(1,603)
Acquisition of subsidiaries net of cash acquired	**(8,206)**	(1,798)
Purchase of intangible assets	**(863)**	(751)
Sale of property, plant and equipment	**-**	344
Purchase of property, plant and equipment	**(386)**	(627)
Net cash used in investing activities	**(11,352)**	(4,435)
Cash flows from financing activities		
New bank loans	**500**	38,490
Repayment of bank loans	**(6,000)**	(39,250)
Payments of lease liabilities	**(684)**	(866)
Net cash from financing activities	**(6,184)**	(1,626)
Net (decrease)/increase in cash and cash equivalents	**(9,452)**	1,317
Cash and cash equivalents at beginning of year	**13,166**	11,849
Cash and cash equivalents at end of year	**3,714**	13,166
Cash and cash equivalents		
Cash at bank and in hand	**3,714**	13,166
Cash and cash equivalents	**3,714**	13,166

Note to the Preliminary Results announcement of Adept Technology Group Plc for the year ended 31 March 2022

The financial information set out below does not constitute the Group's financial statements for the years ended 31 March 2022 or 2021, but is derived from those financial statements. Statutory financial statements for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Group's annual general meeting. The auditors have reported on the 2021 financial statements which carried an unqualified audit report, did not include a reference to any matters to which the auditor drew attention by way of emphasis and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006. The audit report on the 2022 financial statements is not yet signed, however an unqualified opinion is expected.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS. The accounting policies used in preparation of this preliminary announcement are consistent with those in the full financial statements that have yet to be published.

Availability of Financial Statements

The annual report containing the full financial statements for the year to 31 March 2022 is expected to be posted to shareholders in August 2022, a soft copy of which will be available to download from the Company's website www.adept.co.uk.

1. Nature of operations and general information

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

AdEPT is incorporated under the Companies Act 2006 and domiciled in the UK and the registered office is located at One Fleet Place, London EC4M 7WS. The Company's shares are listed on AIM of the London Stock Exchange.

2. Accounting policies

Basis of preparation of financial statements

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

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The statement of financial position reports an excess of current liabilities above current assets which arises from efficient utilisation of working capital and treasury management to maximise operating cash flow and minimise interest costs, along with the short-term classification of the deferred consideration for the Datrix acquisition. The Group has adequate financing arrangements which can be utilised by the Group as required to fund any temporary working capital requirement and to meet the deferred consideration liability, thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. The Group's available banking facilities are described in Note 21.

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

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

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

Prior year restatement

Following a detailed review of the bad debt provision, a historic error in the calculation was identified in prior periods. Under IAS8, given that this is an error rather than a change to a judgement or estimate, an adjustment has been made to correct the reserves brought forward. The adjustment increases the provision for potential bad debts by £378,838

with a corresponding entry to the brought forward reserves at 1 April 2020, being the earliest period presented in these financial statements. There is no impact on either the income statement, the cashflow statement and the earnings per share in either the current or comparative period as a result of this correction.

3. Segmental information

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

The chief operating decision maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The operating segments are fixed line services (being calls and line rental services) and managed services (which are data connectivity, hardware, IP telephony, support and maintenance services), which are reported in a manner consistent with the internal reporting to the Board. The Board assesses the performance of the operating segments based on revenue, gross profit and underlying EBITDA.

	Year ended 31 March 2022				Year ended 31 March 2021			
£'000	**Fixed line services**	**Managed services**	**Central costs**	**Total**	Fixed line services	Managed services	Central costs	Total
Revenue	**8,582**	**59,500**	**-**	**68,082**	10,739	47,112	-	57,851
Gross profit	**3,200**	**29,232**	**-**	**32,432**	3,999	23,641	-	27,640
Gross margin %	**37%**	**49%**	**-**	**48%**	37%	50%	-	48%
Other income	**-**	**-**	**-**	**-**	57	247	-	304
Administrative expenses	**(1,685)**	**(18,855)**	**-**	**(20,540)**	(2,175)	(15,939)	-	(18,114)
Underlying EBITDA	**1,515**	**10,377**	**-**	**11,892**	1,881	7,949	-	9,830
Underlying EBITDA %	**18%**	**17%**	**-**	**18%**	18%	17%	-	17%
Amortisation	**(1,588)**	**(5,658)**	**-**	**(7,246)**	(1,741)	(4,052)	-	(5,793)
Depreciation	**-**	**-**	**(1,433)**	**(1,433)**	-	-	(1,532)	(1,532)
Adjustment to deferred consideration	**-**	**-**	**(33)**	**(33)**	-	-	-	-
Acquisition costs	**-**	**-**	**(1,371)**	**(1,371)**	-	-	-	-
Profit on sale	**-**	**-**	**-**	**-**	-	-	133	133
Restructuring costs	**-**	**-**	**(2,023)**	**(2,023)**	-	-	(974)	(974)
Share-based payments	**-**	**-**	**(62)**	**(62)**	-	-	(67)	(67)
Operating profit/(loss)	**(73)**	**4,719**	**(4,922)**	**(276)**	140	3,897	(2,440)	1,597
Finance costs	**-**	**-**	**(2,752)**	**(2,752)**	-	-	(2,102)	(2,102)
Income tax	**-**	**-**	**(2,204)**	**(2,204)**	-	-	165	165
Profit/(loss) after tax	**(73)**	**4,719**	**(9,878)**	**(5,232)**	140	3,897	(4,377)	(340)

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

Transactions with the largest customer of the Group are less than 10% of total turnover and do not require disclosure for either FY21 or FY22.

4. Revenue

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

	2022	2021
	£'000	£'000
Sale of goods	**17,969**	14,703
Provision of services:		
– calls and line rental	**8,582**	10,739
– data networks	**15,733**	14,228
– support services	**20,453**	14,659
– cloud telephony and other services	**5,345**	3,522
	68,082	57,851
Timing of revenue recognition		
Products transferred at a point in time	**17,969**	14,703
Products and services transferred over time	**50,113**	43,148
	68,082	57,851

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

	2022	2021
	£'000	£'000
Receivables, which are included in 'Trade and other receivables'	**13,550**	8,472
Contract assets	**422**	978
Contract liabilities	**(2,657)**	(2,244)

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

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

	2022	2021
	£'000	£'000
Revenue deferred into future periods	**(2,657)**	(2,244)
Deferred revenue recognised in the period	**1,744**	2,470
Direct costs deferred into future periods	**422**	978
Deferred direct costs recognised in the period	**854**	839

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

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

5. Other income

	2022	2021
	£'000	£'000
Coronavirus Job Retention Scheme claims	**-**	304

6. Operating profit

The operating profit is stated after charging:

	2022	2021
	£'000	£'000
Amortisation of customer base, billing system and licence	**7,246**	5,793
Depreciation of tangible fixed assets:		

– owned by the Group	**743**	845
– right of use assets	**690**	687
Share option expense	**62**	67
Acquisition costs	**1,371**	-
Restructuring and non-recurring costs	**2,023**	974

Acquisition costs relate to the legal and professional fees incurred as a direct result of acquisitions completed during the year. Restructuring costs relate to the acquisition operating costs (from the date of acquisition) and other operating costs which have been either terminated or notice to terminate has been served and therefore these items will not form part of the future operating costs of the Group.

7. Finance costs

	2022 £'000	2021 £'000
On bank loans and overdrafts	**1,872**	1,608
Bank arrangement fees	**415**	435
IFRS 16 lease liability interest	**50**	59
Finance cost on contingent consideration	**415**	-
	2,752	2,102

The finance costs on contingent consideration arise from the release of the discounted contingent consideration liability across the term of the deferred consideration period in relation to each acquisition. This is a non-cash item.

8. Income tax expense

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profit for the year	**461**	860
Adjustments in respect of prior periods	**(267)**	-
Total current tax	**194**	860
Deferred tax		
Origination and reversal of temporary differences:		
– fixed assets and short-term temporary differences	**526**	(43)
– share options	**-**	(14)
– intangibles on business combinations	**(1,502)**	(963)
Effect of tax rate change on opening balance	**2,817**	-
Adjustments in respect of prior periods	**169**	(5)
Total deferred tax (see Note 13)	**2,010**	(1,025)
Total income tax expense	**2,204**	(165)

Factors affecting tax charge for the year

The relationship between expected tax expense based on the effective tax rate of AdEPT at 19% (FY21: 19%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2022	2021
	£'000	£'000
Profit before income tax	**(3,028)**	(505)
Tax rate	**19%**	19%
Expected tax charge	**(575)**	(96)
Expenses not deductible for tax purposes	**348**	1
Adjustments to tax charge in respect of prior periods	**(98)**	(25)
Depreciation/amortisation on non-qualifying assets	**(298)**	22
Difference due to deferred tax rate being higher than the standard tax rate	**127**	-
Movement on share option deferred tax assets taken to equity	**22**	-
Plant & machinery super-deduction	**(30)**	-
R&D enhanced tax deduction	**(103)**	(50)
RDEC credit taxed	**(6)**	(21)
Effect of tax rate change on deferred tax opening balance	**2,817**	-
Other	**-**	4
Actual tax expense net	**2,204**	(165)

Future changes to tax rates are anticipated in line with the UK Government announcement in the 2021 Budget of an increase in the tax rate to 25% from 1 April 2023. The change in the deferred tax provisioning rate from 19% to 25% has generated an non-cash income statement tax debit of £2.8m in relation to the opening deferred tax balance.

9. Dividends

On 6 July 2022 the directors proposed a final dividend, subject to shareholder approval at the 2022 annual general meeting, of 1.0p per ordinary share (FY21: nil). Total dividends proposed in respect of the year ended 31 March 2022 will absorb £250,299 of shareholders' funds in future periods.

Total dividends paid in the year ended 31 March 2022 was £Nil (FY21: £Nil).

10. Goodwill

Group

	Total
	£'000
Cost	
At 1 April 2020	19,492
Additions	-
At 1 April 2021	19,492
Additions	2,500
At 31 March 2022	**21,992**
Impairment	
At 1 April 2020	2,084
Impairment charge	-
At 1 April 2021	2,084
Impairment charge	-
At 31 March 2022	**2,084**
Net book value	
At 31 March 2022	**19,908**
At 31 March 2021	17,408

We performed an annual goodwill impairment review as at 31 March 2022.

Goodwill is recognised when a business combination does not generate cash flows independently of other assets or groups of assets. As a result, the recoverable amount, being the value in use, is determined at a cash-generating unit (CGU) level. These CGUs represent the smallest identifiable group of assets that generate cash flows. Our CGUs are deemed to be the assets within the operating units. Each CGU to which goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The total intangible value in use for each CGU, incorporating goodwill and the intangible asset value, is determined using discounted cash flow projections derived from the total historical revenue profile of each identifiable CGU. The assumptions which are applied to each CGU in respect of churn rate, discount rate, margin and useful economic life are set out in Note 11.

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

	March 2022 £'000	March 2021 £'000
Centrix Limited	**3,614**	3,614
Comms Group UK Limited	**2,672**	2,672
CAT Communications Limited	**248**	248
Our IT Department Limited	**4,683**	4,683
Atomwide Limited	**3,313**	3,313
Shift F7 Limited	**879**	879
ETS Communications Limited	**615**	615
Advanced Computer Systems UK Limited	**1,384**	1,384
Datrix Limited	**2,500**	-

The net present value of the future cash flows for the CGUs is sensitive to the weighted average cost of capital. The rate used to discount the future cash flows is the Group's pre-tax weighted average cost of capital of 8.4%. An increase in the Group's weighted average cost of capital to above 19.1% would materially impair the carrying value of the Group's goodwill by more than £400,000. Further details of the sensitivity of the variables used in the impairment testing are included in Note 11.

11. Intangible fixed assets

Group

	Licence £'000	Computer software £'000	Customer base £'000	Software apps £'000	Website £'000	Total £'000
Cost						
At 1 April 2020	262	1,688	71,616	3,535	1,745	78,846
Additions	139	575	-	-	22	736
At 1 April 2021	401	2,263	71,616	3,535	1,767	79,582
Additions	121	546	13,118	169	16	13,970
At 31 March 2022	**522**	**2,809**	**84,734**	**3,704**	**1,783**	**93,552**
Amortisation						
At 1 April 2020	120	1,342	33,498	936	998	36,894
Charge for the year	82	13	4,957	351	390	5,793
At 1 April 2021	202	1,355	38,455	1,287	1,388	42,687
Charge for the year	107	124	6,270	350	395	7,246
At 31 March 2022	**309**	**1,479**	**44,725**	**1,637**	**1,783**	**49,933**
Net book value						
At 31 March 2022	**213**	**1,330**	**40,009**	**2,067**	**-**	**43,619**
At 31 March 2021	199	908	33,161	2,248	379	36,895

Included within the Group's intangible assets is:

	Useful life	**March 2022 £'000**	March 2021 £'000
Centrix Limited – customer base	17 years	**5,486**	6,030
Comms Group UK Limited – customer base/website	17 years	**2,803**	3,174
Our IT Department Limited – customer base/website	17 years	**1,386**	1,823

CAT Communications Limited – customer base	10 years	**589**	699
Atomwide Limited – customer base	16 years	**3,876**	4,592
Atomwide Limited – software/apps	5 years	**1,898**	2,249
Shift F7 Limited – customer base	10 years	**3,175**	3,718
ETS Communications Limited – customer base	10 years	**2,385**	2,747
Advanced Computer Systems UK Limited – customer base	10 years	**5,274**	6,001
Datrix Limited – customer base	10 years	**11,861**	-
Other customer bases – AdEPT Technology Group plc trading business	10–16 years	**3,853**	5,591

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

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

Measuring the fair value of intangible assets on acquisition

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

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

Intangible assets are reviewed annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The net present value of cash flows for each cash-generating unit is reviewed against the carrying value at the balance sheet date. At the final reporting date of 31 March 2022 the net present value of future cash flows of certain cash-generating units was above the carrying value and therefore no impairment charge has been recorded (FY21: £Nil).

We tested our intangible assets, investments and goodwill for impairment as at 31 March 2022. The carrying value of the intangible assets and the key assumptions used in performing the annual impairment assessment and sensitivities are disclosed below:

	Book value of cash-generating unit £'000	Estimated value in use £'000
Centrix Limited and CAT Communications Limited	6,050	12,892
Comms Group UK Limited and ETS Communications Limited	5,211	7,456
Our IT Department Limited and Shift F7 Limited	4,659	6,189
Atomwide Limited and Advanced Computer Systems UK Limited	10,866	21,958
Datrix Limited	11,861	21,781

What discount rate have we used?

The rate used to discount the future cash flows is the Group's pre-tax weighted average cost of capital (WACC) of 8.4% (2021: 8.9%). The directors have chosen to use WACC as it is a calculated figure using actual input variables where available and applying estimates for those which are not, such as the equity market premium. An increase in the Group's weighted average cost of capital to above 19.1% would materially impair the carrying value of the Group's intangible assets by more than £400,000.

What churn rate have we used?

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

For the customer bases which have been fully integrated into the AdEPT Technology Group plc trading business in Tunbridge Wells, the churn rate of 6.3% per annum is based upon the actual historical churn rate of the revenue stream from the customer bases.

For Centrix, Comms Group, Our IT Department, CAT Communications, Atomwide, Shift F7, ETS Communications and ACS the net present value of the discounted future cash flows is based on the actual revenues of the acquired customer bases. The actual historical churn rates for the acquired customer bases vary between nil and 7.9% per annum. Where an acquired customer base has shown growth, a default churn assumption of 3% per annum has been applied.

For the software and apps which have been developed by Atomwide the net present value of the discounted future cash flows is based on the actual revenues being derived from the customer base to which the software licences and charges relate. The actual historical churn rates for the software and app revenue stream is nil per annum, but a default churn rate of 3% per annum has been applied for the purpose of impairment testing.

What margin have we used?

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

What is the estimated useful life of customer bases?

The method used to estimate the useful life of each customer base to conduct the impairment review is the revenue churn rate. The average useful economic life of all the customer bases has been estimated at 13 years (FY21: 14 years) with a range of 10 to 17 years.

What sensitivities have we applied?

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

- 5.7% increase to the discount rate percentage
- 3.1% increase to the churn rate
- 4.5% decrease to the gross margin percentage

12. Property, plant and equipment

Group

	Motor vehicles £'000	Right of use assets £'000	Short-term leasehold improvements £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost						
At 1 April 2020	357	1,989	295	603	1,886	5,130
Additions	78	514	4	25	599	1,220
Disposals	(183)	(439)	(238)	-	(164)	(1,024)
At 1 April 2021	252	2,064	61	628	2,321	5,326
Acquired with subsidiary	-	135	-	49	164	348
Additions	-	256	36	27	359	678
Disposals	-	(59)	-	-	(81)	(140)
At 31 March 2022	**252**	**2,396**	**97**	**704**	**2,763**	**6,212**
Depreciation						
At 1 April 2020	266	725	63	452	924	2,430
Charge for the year	44	758	15	98	590	1,505
Disposals	(182)	(434)	(39)	-	(163)	(818)
At 1 April 2021	128	1,049	39	550	1,351	3,117
Charge for the year	45	646	11	99	632	1,433
Disposals	-	(59)	-	-	(81)	(140)
At 31 March 2022	**173**	**1,636**	**50**	**649**	**1,902**	**4,410**
Net book value						
At 31 March 2022	**79**	**760**	**47**	**55**	**861**	**1,802**
At 31 March 2021	124	1,015	22	78	970	2,209

The right of use asset is made up as follows:

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000

Property	**659**	**175**	850	342
Motor vehicles	**93**	**29**	140	54
Other	**8**	**3**	25	13
	760	**207**	1,015	409

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

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Property	**530**	**177**	472	111
Motor vehicles	**111**	**47**	166	40
Other	**9**	**2**	120	112
	650	**226**	758	263

13. Deferred taxation

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
At 1 April	**(6,700)**	**(172)**	(7,738)	(279)
Income statement credit/(charge)	**807**	**(387)**	1,025	89
Movement in deferred tax on share options taken to equity	**(4)**	**(4)**	4	4
Deferred tax transferred from Group company	**-**	**-**	-	(10)
Deferred tax asset acquired with subsidiary	**404**	**-**	-	-
Adjustments in respect of prior periods	**-**	**-**	9	24
Effect of tax rate change on opening balance	**(2,817)**	**-**	-	-
Deferred tax on business combination	**(2,500)**	**-**	-	-
At 31 March	**(10,810)**	**(563)**	(6,700)	(172)

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

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Accelerated capital allowances	**(540)**	**(444)**	(181)	(58)
Short-term temporary differences	**26**	**5**	5	-
Losses	**44**	**-**	-	-
Convertible loan note equity element	**(124)**	**(124)**	(128)	(128)
Deferred tax on business combinations	**(10,216)**	**-**	(6,410)	-
Share options	**-**	**-**	14	14
	(10,810)	**(563)**	(6,700)	(172)

14. Inventories

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Consumables	**843**	**62**	569	111

As at 31 March 2022, inventories of £19,826 (FY21: £25,765) were fully provided for. During the year £6,161,236 (FY21: £7,296,830) has been recognised as an expense in the statement of comprehensive income.

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

15. Trade and other receivables

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

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

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

	2022		Restated 2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Trade receivables	**13,493**	**2,664**	8,102	3,414
Other receivables	**104**	**4**	-	-
Amounts owed by Group undertakings	**-**	**4,810**	-	9,200
Prepayments	**4,939**	**1,517**	3,692	2,268
Accrued income	**2,573**	**2,096**	612	58
	21,109	**11,091**	12,406	14,940

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

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

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. As at 31 March 2022, trade receivables of £333,706 (FY21: £387,712) were fully provided for.

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

	Group £'000	Company £'000
At 1 April 2020	411	81
Receivables provided for during the year as uncollectable	245	245
Receivables collected during the year which were previously provided	(153)	-
Receivables written off in the year which were previously provided for	(115)	(51)
Acquired through acquisition	-	25
At 1 April 2021	388	300
Receivables provided for during the year as uncollectable	60	-
Receivables collected during the year which were previously provided	(176)	(136)
Receivables written off in the year which were previously provided for	-	-
Acquired through acquisition	62	-
At 31 March 2022	**334**	**164**

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

16. Trade and other payables

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Trade payables	**9,327**	**2,107**	4,176	2,001
Other taxes and social security costs	**2,321**	**699**	1,998	741
Other payables	**305**	**44**	179	36
Lease liability	**421**	**205**	547	220
Accruals and deferred income	**8,727**	**1,326**	3,984	1,440
Contingent consideration	**4,434**	**4,434**	-	-
	25,535	**8,815**	10,884	4,438

The contingent consideration liability of £4,433,540 (FY21: £Nil) represents the year-end fair value of the contingent consideration liabilities arising on the acquisitions made during the year. The fair value of the contingent consideration liability was determined by applying the contingent consideration matrix as specified in the share purchase agreement. Further details are included in Note 22.

17. Long-term borrowings

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Between one and two years	**-**	**-**	-	-
Between two and five years	**40,038**	**39,814**	45,634	45,322
More than five years	**-**	**-**	-	-
	40,038	**39,814**	45,634	45,322

The bank loan of £33,066,676 is secured by a debenture incorporating a fixed and floating charge over the undertaking and all property and assets present and future, including goodwill, book debts, uncalled capital, buildings, fixtures and fixed plant and machinery.

Included in long-term borrowings is an amount of £6,728,784 which is the debt component of the convertible loan instrument from BGF. This loan instrument is subordinated and ranks behind the bank loan.

Details of the interest rates applicable to the borrowings are included in Note 21.

Included within bank loans are arrangement fees amounting to £433,323 (FY21: £661,871) which are being released over the term of the loan.

18. Lease liability

Included within long-term borrowings (Note 17) between two and five years is an amount of £242,689 (FY21: £521,468) which relates to the IFRS 16 lease liability.

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Within one year	**405**	**206**	547	220
Between two and five years	**243**	**18**	521	218
More than five years	**-**	**-**	-	-
	648	**224**	1,068	438

Total cash payments in respect of IFRS 16 lease agreements during the year was £683,881 (FY21: £866,442).

19. Share capital

	2022	2021
	£'000	£'000
Authorised		
65,000,000 ordinary shares of 10p each	**6,500**	6,500
Allotted, called up and fully paid		
25,029,957 (2021: 25,029,957) ordinary shares of 10p each	**2,503**	2,503

20. Earnings per share

Earnings per share is calculated on the basis of a loss of £5,232,160 (FY21: loss of £339,787) divided by the weighted average number of shares in issue for the year of 25,029,970 (FY21: 25,029,959). The diluted earnings per share is calculated on the treasury stock method and the assumption that the weighted average unapproved and EMI share options outstanding during the period are exercised. This would give rise to a total weighted average number of ordinary shares in issue for the period of 25,084,305 (FY21: 25,052,139).

Adjusted earnings per share is used to reflect the non-cash nature of certain items which are charged to the income statement and the non-trading items, such as acquisition costs, to give a better indicator of the underlying cash generation of the Group. Adjusted earnings per share is calculated by adding back amortisation of intangible assets, impairment of goodwill, the taxation deduction on purchased customer contracts, deferred tax credits on amortisation charges, share option charges, adjustment to deferred consideration acquisition fees and restructuring costs from retained earnings, giving £6,888,372 (FY21: £5,597,601). This is divided by the same weighted average number of shares as above.

	2022	2021
	£'000	£'000
Earnings for the purposes of basic and diluted earnings per share		
Loss for the period attributable to equity holders	**(5,232)**	(340)
Add: amortisation	**7,246**	5,793
Less: taxation on amortisation of purchased customer contracts	**(117)**	(117)
Add/(less): deferred tax on amortisation charges	**1,298**	(963)
Add: share option charges	**62**	67
Less: adjustment to deferred consideration	**33**	-
Add: acquisition fees and restructuring costs	**3,394**	974
Add: interest unwind on loan note	**204**	184
Adjusted profit attributable to equity holders	**6,888**	5,598
Number of shares		
Weighted average number of shares used for earnings per share	**25,029,970**	25,029,957
Weighted average dilutive effect of share plans	**54,335**	22,180
Diluted weighted average number of shares	**25,084,305**	25,052,137
Earnings per share		
Basic earnings per share	**(20.90p)**	(1.36p)
Diluted earnings per share	**N/A**	N/A
Adjusted earnings per share		
Adjusted basic earnings per share	**27.52p**	22.36p
Adjusted diluted earnings per share	**27.46p**	22.34p

Earnings per share is calculated by dividing the retained earnings attributable to the equity holders by the weighted average number of ordinary shares in issue. Diluted earnings per share has not been calculated as the impact of share plans is anti-dilutive.

Adjusted earnings per share is calculated by dividing the retained earnings attributable to the equity holders (after adding back amortisation, the taxation deduction on purchased customer contracts, deferred tax credits on amortisation charges, share option charges, adjustment to deferred consideration and acquisition costs) by the weighted average number of ordinary shares in issue.

21. Financial instruments

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

	2022		2021	
	Group £'000	**Company £'000**	Group £'000	Company £'000
Loans and receivables at amortised cost				
Cash and cash equivalents	**3,714**	135	13,166	10,652
Loans and receivables	**13,550**	**2,669**	8,472	3,793
	17,264	**2,804**	21,638	14,445
Financial liabilities at amortised cost				
Liabilities at amortised cost	**50,656**	**42,733**	51,390	48,357
Financial liabilities at fair value				
Contingent consideration	**4,434**	**4,434**	-	-
	55,090	**47,167**	51,390	48,357
Amounts due for settlement				
Within twelve months	**14,487**	**6,789**	4,987	2,257
After twelve months	**40,603**	**40,378**	46,403	46,100
	55,090	**47,167**	51,390	48,357

The Company has a three plus one year £50m committed revolving credit facility agreement with NatWest and Bank of Ireland. The revolving credit facility bears interest at 1.85–3.25% over LIBOR on drawn funds, dependent upon the net debt to EBITDA ratchet. The facility is repayable in full on the final repayment date in March 2024, or March 2025 if the one year extension option is activated.

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

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

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

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

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

22. Business combinations

Contingent consideration obligations

Reconciliation of the movement in the fair value of contingent consideration:

	Datrix Limited £'000	Total £'000
At 1 April 2021	—	—

Additions	5,319	5,319
Discounting of deferred consideration	415	415
Settled in cash	(1,300)	(1,300)
At 31 March 2022	**4,434**	**4,434**

The earnout period for Datrix Limited ended on 31 March 2022 and the final amount of deferred consideration payable was paid on 1 July 2022.

Acquisition of Datrix Limited

On 12 April 2021 the Company acquired the entire issued share capital of Datrix Limited ('Datrix') a well-established, award-winning supplier of advanced cloud-based networking, communications, and cyber security solutions, headquartered in London, with expertise in the growing Software Defined Wide Area Networking ("SD-WAN") market focused on the public and healthcare sector.

Initial consideration of £9.0 million, on a debt free cash free basis, was paid in cash. Pursuant to the terms of the share purchase agreement, the effective date of the acquisition is 1 April 2021. Further contingent deferred consideration of up to £7.0 million is payable in cash dependent upon the trading performance of Datrix in the twelve-month period ended 31 March 2022. The contingent deferred consideration will be determined by reference to the gross margin of the acquired business and applying the contingent deferred consideration calculation as specified in the share purchase agreement. The final amount of deferred consideration payable of £4.3m was paid on 1 July 2022.

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

	Book cost £'000	Fair value £'000
Intangible assets	-	13,148
Property, plant and equipment	220	213
Inventories	5	-
Trade and other receivables	5,905	5,837
Cash and cash equivalents	(321)	(321)
Trade and other payables	(6,829)	(6,844)
Short term borrowings	(249)	(249)
Income tax	37	37
Deferred tax	403	(2,097)
Net assets	**(829)**	**9,725**
Cash		7,791
Contingent cash consideration		4,434
Fair value total consideration		12,225
Goodwill		**2,500**

Datrix generated revenue and profit after tax of £12.3 million and £1.5 million respectively for the year ended 31 March 2022 and represents a twelve month contribution. Acquisition related and restructuring costs of £0.8 million have been recognised as an expense in the statement of comprehensive income for the year ended 31 March 2022.