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redcentric

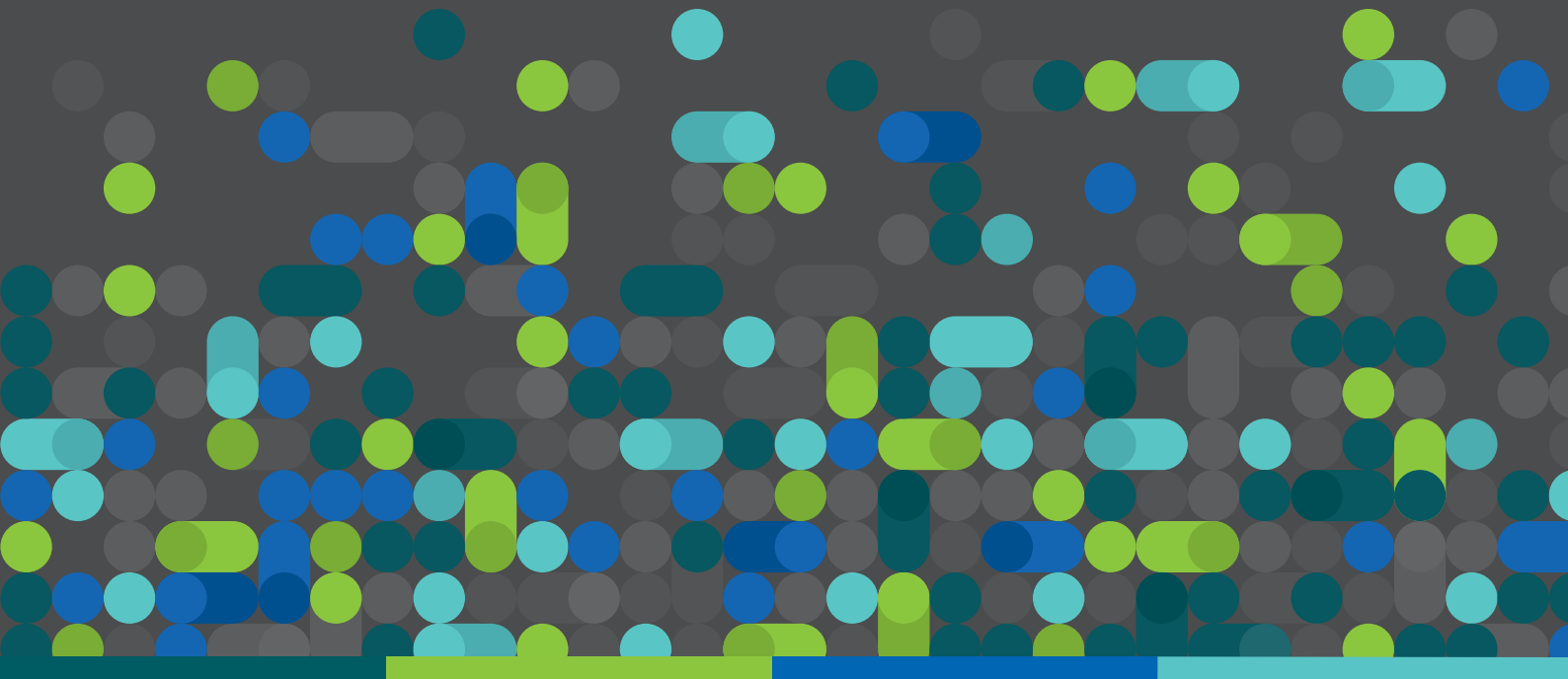
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AGILE • AVAILABLE • ASSURED

REPORT & ACCOUNTS

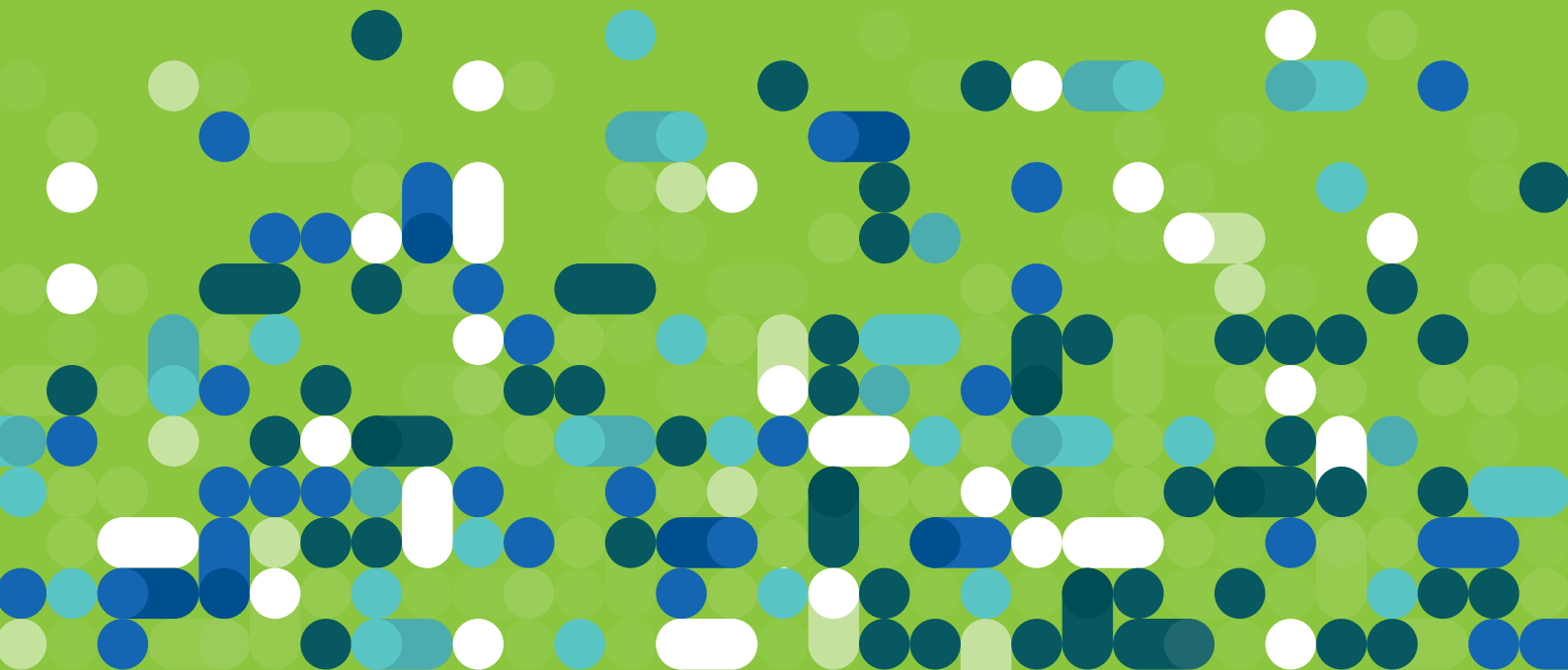
2024

Year ended 31 March 2024 | Redcentric plc  
Company Number 08397584



# Enabling transformation through managed IT services

Redcentric is a trusted transformation partner – supporting you with your cloud, communications, network and cyber security needs.



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# Financial highlights

Total revenue

**£163.2m**

+15.2%

Adjusted  
EBITDA

**£28.3m**

+15.6%

Recurring revenue  
percentage

**91.4%**

Adjusted  
operating profit

**£9.7m**

+11.8%

Recurring revenue

**£149.1m**

+16.1%

Adjusted  
basic earnings  
per share

**1.99p**

-25.1%

Net debt

**£72.4m**

-0.9%

# Highlights

## Financial performance measures

	Year ended 31 March 2024 ("FY24")	Year ended 31 March 2023 ("FY23")	Change
Total revenue	<b>£163.2m</b>	£141.7m	15.2%
Recurring revenue <sup>1</sup>	<b>£149.1m</b>	£128.5m	16.1%
Recurring revenue percentage <sup>1</sup>	<b>91.4%</b>	90.7%	0.7%
Adjusted EBITDA <sup>1</sup>	<b>£28.3m</b>	£24.5m	15.6%
Adjusted operating profit <sup>1</sup>	<b>£9.7m</b>	£8.6m	11.8%
Reported operating profit/(loss)	<b>£0.9m</b>	(£8.9m)	109.5%
Reported loss before tax	<b>(£4.7m)</b>	(£12.5m)	62.7%
Adjusted cash generated from operations <sup>1</sup>	<b>£27.4m</b>	£23.1m	18.7%
Reported cash generated from operations	<b>£23.2m</b>	£14.8m	56.2%
Net debt <sup>1</sup>	<b>(£72.4m)</b>	(£73.0m)	0.9%
Adjusted net debt <sup>1</sup>	<b>(£42.0m)</b>	(£35.6m)	(18.0%)
Adjusted basic earnings per share <sup>1</sup>	<b>1.99p</b>	2.66p	(25.1%)
Reported basic loss per share	<b>(2.20p)</b>	(5.94p)	63.1%

Percentage change calculated on absolute values.

<sup>1</sup>This annual report and accounts contains certain financial measures that are not defined or recognised under IFRS but are presented to provide readers with additional financial information that is evaluated by management and investors in assessing the performance of the Group.

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

For an explanation of the alternative performance measures used in this report and reconciliations to their most directly related GAAP measure, please refer to pages 22-25.

# Chairman's Statement

I am very pleased to introduce the annual report and accounts ("Report") for the Redcentric plc ("Redcentric" or "Company") group of companies (the "Group") for the financial year ended 31 March 2024 ("FY24").

## Overview and financial results

With all the original integration programmes materially completed in FY24, the business has a solid foundation on which to flourish. Following the acquisitions made in FY22 and FY23 we are now seeing strong organic growth across all our core service towers of Cloud, Connectivity and Communication.

The agile culture within the business has enabled us to move swiftly and take advantage of the Broadcom acquisition of VMware, gaining several new customers along with considerable market share gains. It is also pleasing to note that several cross-sell opportunities are already being discussed providing further penetration into our broad range of products and services.

I am delighted to see that the data centre assets acquired with Sungard are starting to be recognised by a new larger customer base as a secure home for their mission critical infrastructure. Our West Yorkshire facility (previously referred to as Elland) and London West facility (previously referred to as London Technology Centre) offer the space, power and security that is in short supply, particularly in London. We are very optimistic about the future of these data centres particularly given demand is being driven by Artificial Intelligence ("AI") processing needs that require high-density, power-hungry equipment, both of which our primary data centres can cater for.

Electricity costs have featured regularly in the company updates since the acquisitions completed in FY23. The management team have worked tirelessly to implement efficiency measures that help to reduce our electricity consumption, with the dual purpose of reducing cost and carbon emissions. These measures have delivered impressive volume savings of c.40% in the London West and Woking data centres. This combined with reduced electricity prices locked in from 1 April 2024 means that electricity costs are expected to reduce by c.£8m in FY25.

The focus for FY25 will be to continue to drive organic growth whilst leveraging the fixed cost base, driving further productivity and efficiency gains. Whilst organic growth is the priority, the company continually assesses M&A opportunities in the market, and with £40m of its £80m committed bank facility drawn at the date of this report the company has significant firepower should an exceptional opportunity present itself.

## Final dividend

During the year, the board of Directors of the Company (the "Board") declared an interim dividend of 1.2 pence per share (FY23: 1.2 pence per share), with £1.9m paid on 18 April 2024 (FY23: £1.9m).

A final dividend of 2.4p per share is recommended by the Board and will result in a total dividend for FY24 of 3.6p per share (financial year ended 31 March 2023 "FY23": 3.6p per share). Subject to approval by shareholders at the Company's annual general meeting ("AGM"), this is expected to be paid on 24 January 2025 to shareholders on the register at the close of business on 13 December 2024 with shares going ex-dividend on 12 December 2024. The last day for Dividend Reinvestment Plan elections is 2 January 2025.

### Board changes and people

On 24 July 2023, Helena Feltham, Non-Executive Director, stepped down from the Board. On behalf of the Board and all at Redcentric I would like to thank Helena for her significant contribution over the last two years and wish her all the very best for the future.

On 1 December 2023, Oliver Scott was appointed as a Non-Executive Director (non-independent). Oliver is a partner of Kestrel Partners LLP ("Kestrel"), the independent investment manager, which Oliver co-founded in 2009. Kestrel is Redcentric's largest shareholder. Oliver brings with him considerable market knowledge alongside a breadth and depth of skills and experience.

On 13 February 2024, Michelle Senecal De Fonseca was appointed as a Non-Executive Director and Chair of the Remuneration Committee. Michelle is an experienced executive and Non-Executive Director in the technology industry.

On 15 August 2024, Peter Brotherton, Chief Executive Officer, notified the Board of his intention to retire and step down from the Board. Peter will remain in post until a suitable replacement is recruited. Peter joined the group in November 2016 as Chief Financial Officer before taking on the role of Chief Executive Officer in November 2018. Peter initially navigated the business through a challenging period and more latterly has played a key part in Redcentric's growth strategy. On behalf of the Board and all at Redcentric I would like to thank Peter for his very significant contribution over the last eight years and wish him all the very best in his retirement.

### Outlook

The business has entered FY25 with a significantly enhanced scale, strong organic revenue growth, significantly reduced electricity costs and some very exciting sales prospects. Management are now focussed on delivering profitable growth to drive improved margins and cash generation, whilst ensuring service levels are maintained to limit customer cancellation and price erosion risks.

The factors above all lead to the Board remaining optimistic for the future of the business.

#### Nick Bate

Chairman  
15 August 2024



A woman with long brown hair and glasses is smiling and looking towards a man in a suit who is seen from the back. They appear to be in a professional meeting. The background is slightly blurred, showing what might be a window or a wall.

“

SD-WAN and Zero Trust Network Access has been a game-changer for us. Network performance is better and network security has been enhanced.

”

**HAYS**



# Chief Executive's Review

## Strategic execution

FY24 has been marked by significant progress and growth as we continued to focus on the three operational themes outlined in the interim results: organic revenue growth, integration of the acquired businesses and electricity conservation measures.

The financial results reflect the benefits of the first full year of trading contribution from the 4D Data Centres and two Sungard trade and asset acquisitions made in FY23. They also reflect the slightly delayed implementation of the new cooling infrastructure at the London West data centre and the closure costs of the Harrogate data centre.

## Organic growth

The sales team continue to exploit the opportunities arising from the acquisitions made over the previous two financial years, with the enlarged customer base presenting new cross-sell opportunities and the new product offerings providing a wider range of services to the existing customer base.

On a consistent basis recurring revenues, excluding revenue from Sungard short term contract cancellations and Harrogate customer cancellations, which we deem unrelated to normal trading and are discussed further below, grew by 9.0% over the prior ten-month period (Aug-22 to May-23 vs Jun-23 to Mar-24 with Aug-22 being the first comparable month following the acquisitions) with net new business gains seen across all service towers.

Revenues from cancelled Sungard short term contracts amounted to £1.0m in the 12 months ended 31 March 2024 (12 months to 31 March 2023: £6.2m). Whilst it is disappointing that we did not retain these customers following our acquisition, cancelled short term customer contracts were excluded from the calculation of the final consideration payable, and any remaining Sungard short term contracts have now been converted into longer term contracts.

The closure and decommissioning of the Harrogate data centre was completed at the end of March 2024 in line with our project plan and expectations. Whilst most of the customers were successfully migrated to our West Yorkshire data centre, four of the larger customers unexpectedly decided to cancel their contracts. The annualised revenue and EBITDA from these customers totalled £2.6m and £1.3m respectively. Final annual savings from the closure of the Harrogate data centre were £1.4m, in line with previous expectations and comprise lease cash cost savings of £1.0m and operating costs savings of £0.4m, with these savings

effective from FY25. Although most of the cost savings have been offset by cancelled customer contracts, the closure of the data centre will reduce future maintenance capital expenditure and technical debt.

## VMware/Market trends

As the marketplace continually evolves Redcentric is eager to be at the forefront of any significant changes. The recent acquisition of VMware by Broadcom continues to present a substantial opportunity. Redcentric was selected as one of seven UK Pinnacle partners of VMware, following which we actively mobilised to acquire a wide base of new end user clients and historical VM partners. These activities have proven very successful with a gain of 30 new customers (of which 29 are service providers) from Q1 FY25. This represents a material market share gain and importantly represents significant future cross-sell opportunities.

The successful onboarding of the service providers has provided a well-formed new route to market for our wide-ranging portfolio. Proactive engagement with these new partners is in its initial stages, but is already showing positive outcomes with an initial 10 active opportunities under discussion across our portfolio including MS licensing, Storage as a Service, Infrastructure as a Service (IaaS), Co-Location and Contact Centre solutions.

The continued emergence of AI is generating considerable demand for high density data centre space and available electricity. Our London West and West Yorkshire facilities have the required infrastructure, space, and available electricity to make us ideally positioned to meet these requirements.

Our London West data centre is an Enterprise grade facility that is built to a capacity of 18MW and has 14MW reserved on the national grid. Given the scarcity of available power in London in "Tier 3" equivalent data centres, London West has become an attractive alternative to the larger scale data centre providers, and we have recently seen a significant increase in interest from Enterprise customers requiring high density infrastructure.

Our West Yorkshire data centre is situated between Leeds and Manchester and is ideally placed to serve the "Northern Powerhouse", with 11MW of power available. There is ample power capacity and physical space to provide high density infrastructure.

# Chief Executive's Review (continued)

## Our organic growth strategy can be summarised into five key focus areas:

1. Cross-sell multiple products into the recently acquired customer bases:
  - The majority of the recently acquired customers take one product only.
2. Cross-sell of new products into the historic Redcentric customer base:
  - Hyper-cloud, cyber security and business recovery products have all been added by the recent acquisitions.
3. Cross-sell into the new VMware customer wins:
  - A significant cross-sell opportunity has been created by the new customer wins.
4. Attracting new logos:
  - Maximise the exposure opportunities generated by the new VMware strategic partnership; and
  - Leverage the increased scale and improved perception to attract new customers.
5. Leveraging the newly acquired Sungard DCs to attract largescale AI and Enterprise customer deployments:
  - Our London West and West Yorkshire facilities are ideally placed to meet demand for AI.

## Integration of the acquired businesses

The integration work undertaken in FY24 has concentrated on three main areas: closure of the Harrogate data centre, supplier rationalisation and consolidation of cloud platforms.

### Closure of the Harrogate data centre

The closure of the Harrogate data centre was completed at the end of March 2024, with the fully decommissioned building being handed back to the landlord on the lease end date of 24 March 2024.

### Supplier rationalisation

During the year, the supplier base was rationalised with two large Managed Services contracts insourced and more favourable terms on a third contract achieved by moving supplier. This has resulted in combined net annual savings of £1.1m, being supplier savings of £1.7m offset by additional staff costs of £0.6m.

## Consolidation of cloud platforms

As a result of the acquisitions, we have acquired numerous cloud and backup platforms which replicate existing Redcentric platforms. During the year a number of these platforms were either consolidated or decommissioned resulting in annualised savings of c.£0.5m. Now that resource has been freed up from the Harrogate relocation project, which has seen significant resource and cost drain in FY24, we expect to launch further and more extensive consolidation programmes which will result in further annualised savings of at least £0.6m.

As mentioned above, the acquisition of VMware by Broadcom has created significant sales opportunities, however, a material increase in the cost of licenses has also presented a short-term cost challenge to the business.

The increase in the VMware cost base came at a time for Redcentric when a programme of platform rationalisation was in full swing. With this programme progressing well our VMware license requirements have been dramatically reduced. This, combined with a large portion of the increased costs being passed on to customers, has positioned Redcentric well to effectively manage the impact of Broadcom licensing changes.

## Electricity sourcing & consumption

### London West data centre

An investment of £2.2m has been made for new cooling infrastructure, significantly upgrading the plant at the recently acquired site.

Whilst all the planned electricity conservation measures were completed by the year end, the installation of the cooling infrastructure at the London West site was delayed by four-and-a-half-months due to the requirement of the cooling system water to be decontaminated prior to the installation of the new plant. The plant was eventually installed in November 2023 and was fully commissioned by the end of January 2024.

The new system is performing well with non-productive power savings of c.40% to date, slightly higher than our original expectations.

Based on the current volume savings and the forward electricity prices secured, we expect to achieve annualised volume savings of c.£1.5m, resulting in an impressive payback of eighteen months and considerable savings over the course of the assets expected fifteen-year life.

# Chief Executive's Review (continued)

## Woking data centre

This is a third-party data centre where we rent a large data hall rather than actively managing the site ourselves. Our partners at this site have also recently completed a major chiller replacement programme with their new plant being live from 1 September 2023.

This is currently yielding non-productive power savings of c.40%, in line with our expectations. Based on the current savings being realised and the anticipated electricity prices, we expect to achieve annualised savings of c.£1.1m from this site.

The electricity conservation measures are expected to generate year on year volume savings of £2.8m. This, combined with significantly reduced electricity commodity prices from 1 April 2024, is expected to reduce electricity charges by £8.1m and will result in FY25 fully reflecting the benefit of the acquisitions made during FY22 and FY23.

Our electricity contracts have recently been renegotiated which now expire at the end of September 2028. This enables us to forward buy power to September 2028 reducing our exposure to commodity price volatility and providing our customers with a more certain cost base.

## Financial results

We are pleased to announce the following results for FY24:

- Revenues of £163.2m (FY23: £141.7m);
- Adjusted EBITDA\* of £28.3m (FY23: £24.5m);
- Adjusted operating profit<sup>^</sup> of £9.7m (FY23: £8.6m);
- Reported operating profit of £0.9m (FY23: loss of £8.9m);
- Reported loss before tax of £4.7m (FY23: £12.5m);
- Net debt as at 31 March 2024 of £72.4m (31 March 2023: net debt of £73.0m); and
- Adjusted net debt as at 31 March 2024 of £42.0m (31 March 2023: adjusted net debt of £35.6m);

\*Adjusted EBITDA is EBITDA excluding exceptional items, share-based payments and associated National Insurance. Exceptional items are outlined in Note 9.

<sup>^</sup>Adjusted operating profit is reported operating profit excluding amortisation of intangible assets arising on business combinations, exceptional items and share-based payments.

The net debt position is after dividend payments of £1.4m, the payments of contingent consideration of £0.9m for the acquisitions of Sungard DC's (£0.4m) and 7 Elements (£0.5m), exceptional items largely relating to integration and restructuring costs of £4.0m, working capital inflow of £0.1m and capital expenditure of £10.7m.

## Outlook

FY24 was a very productive year with all the original integration programmes materially completed, generating cost savings either in line or slightly ahead of our expectations, albeit with the energy conservation measures implemented later than anticipated. The business is seeing strong organic revenue growth and is seizing the potential opportunities provided by both the Broadcom acquisition of VMware and the emergence of high-density AI demand.

The Enterprise grade data centre facilities that were part of the Sungard DC acquisition are proving to be a key differentiator and are attracting significant interest from Enterprise clients.

The electricity conservation measures, combined with a significant proportion of secured lower electricity prices from 1 April 2024, means that electricity costs (elevated over the past two financial years as a result of geopolitical events) are expected to reduce by £8.1m in FY25.

With both the synergy and energy efficiency programmes completing during FY24, FY25 will be the first full year that reflects the full benefit of the acquisitions.

The focus for FY25 will be to continue driving organic recurring revenue and EBITDA growth of at least 5% and 7.5% respectively, whilst leveraging operational gearing to deliver improved margins and cashflow performance.

## Peter Brotherton

Chief Executive Officer

15 August 2024





“

The telephony platform and analytics has given us a better understanding of what's happening, allowing us to make decisions which drive efficiencies and improve outcomes for patients.

”



WEST LEEDS FAMILY PRACTICE  
GLENLEA - WEST LODGE - CALVERLEY

# Financial Review

## Financial performance measures

	Year ended 31 March 2024 ("FY24")	Year ended 31 March 2023 ("FY23")	Change
Total revenue	<b>£163.2m</b>	£141.7m	15.2%
Recurring revenue <sup>1</sup>	<b>£149.1m</b>	£128.5m	16.1%
Recurring revenue percentage <sup>1</sup>	<b>91.4%</b>	90.7%	0.7%
Adjusted EBITDA <sup>1</sup>	<b>£28.3m</b>	£24.5m	15.6%
Adjusted operating profit <sup>1</sup>	<b>£9.7m</b>	£8.6m	11.8%
Reported operating profit/(loss)	<b>£0.9m</b>	(£8.9m)	109.5%
Reported loss before tax	<b>(£4.7m)</b>	(£12.5m)	62.7%
Adjusted cash generated from operations <sup>1</sup>	<b>£27.4m</b>	£23.1m	18.7%
Reported cash generated from operations	<b>£23.2m</b>	£14.8m	56.2%
Net debt <sup>1</sup>	<b>(£72.4m)</b>	(£73.0m)	0.9%
Adjusted net debt <sup>1</sup>	<b>(£42.0m)</b>	(£35.6m)	(18.0%)
Adjusted basic earnings per share <sup>1</sup>	<b>1.99p</b>	2.66p	(25.1%)
Reported basic loss per share	<b>(2.20p)</b>	(5.94p)	63.1%

Percentage changes calculated on absolute values.

<sup>1</sup> For an explanation of the alternative performance measures used in this report, please refer to pages 22-25.

## Overview

The results for FY24 represent the first full year of trading of the 4D Data Centres and the two Sungard acquisitions, with FY23 containing approximately 9 months trading from both acquisitions. The impact of this, coupled with organic growth, resulted in improvements in total revenue, recurring revenue, adjusted EBITDA and adjusted operating profit. Reported operating profit has been significantly impacted by the costs of exiting the Harrogate data centre and migrating customers to other sites, primarily our West Yorkshire data centre. Despite this, reported operating profit has improved by £10.0m reflecting significant exceptional costs in the prior year related to the acquisition and integration activity, coupled with the release of £2.1m of contingent consideration in FY24 in relation to the Sungard acquisition following final settlement with the administrators.

Whilst still recording a reported loss after tax for the year of £3.5m in FY24, this has significantly reduced on FY23 by £5.8m representing the improved trading performance of the Group at adjusted EBITDA coupled with the materially reduced exceptional costs following the increased acquisition-related spending in FY23. Net debt has remained broadly stable at £72.4m (FY23: £73.0m), with adjusted net debt at £42.0m (FY23: £35.6m), reflecting the capex investment in FY24 to deliver future energy efficiency gains, coupled with the exceptional costs associated with exiting the Harrogate data centre.



## Financial Review (continued)

Key considerations in the Financial Statements, but relating principally to the prior year, include:

1. On 26 April 2022, the Group completed a refinance of its debt facilities that were due to mature on 30 June 2022. The new debt facilities consist of an £80m Revolving Credit Facility ("RCF"), £7m Asset Financing Facility and a £20m uncommitted accordion facility and are provided by a new four bank group consisting of NatWest, Barclays, Bank of Ireland, and Silicon Valley Bank (now under the HSBC group) (the "New Facility"), with the Asset Financing Facility provided by Lombard. The New Facility had an initial maturity date of 26 April 2025 with options to extend by a further one or two years. The borrowing cost of the RCF is determined by the level of the Company leverage. An arrangement fee of 75 basis points was payable upfront, in addition to a commitment fee on the undrawn portion of the new RCF, on equivalent terms to the previous facility. The New Facility provides the Group with additional liquidity to be used for working capital purposes and to fund acquisitions. On 26 March 2024 these debt facilities were extended at the Group's request, with a new maturity date of 26 April 2026. As part of this extension of the RCF and Asset Financing Facility term, there were no material changes to the financial debt covenants or to other terms and conditions of the agreements.
2. The acquisition on 7 June 2022 by the Group's trading subsidiary Redcentric Solutions Limited of the consulting business from Sungard Availability Services (UK) Limited (in administration) for £4.2m consideration paid in cash. The business provides services in respect of business continuity, cloud and infrastructure, cyber resilience, disaster recovery and hybrid cloud transformation services alongside the provision and operation of cloud related services. This acquisition is considered to be a linked transaction with the DC acquisition as mentioned in point 4 below.
3. The acquisition on 27 June 2022 by Redcentric Solutions Limited for 100% of the share capital of 4D Data Centres Limited ("4D") for £10.1m consideration paid in cash. The business provides colocation, cloud and connectivity services to mid-market customers. The primary purpose of the business combination is to scale the Group's existing revenues in this area with significant synergies expected as the acquisition is integrated into the Group. On 28 February 2023, the trade, assets and liabilities of 4D were hived into Redcentric Solutions Limited.
4. The acquisition on 6 July 2022 by Redcentric Solutions Limited of certain business and assets relating to three data centres "DCs" from Sungard Availability Services (UK) Limited (in administration) for initial consideration of £10.1m paid in cash and a cash prepayment of £3.4m, with contingent consideration at a maximum potential value of £19.0m depending on customer retention and certain performance criteria in the 12-month period post-acquisition. During FY24 the contingent consideration was finalised and £0.4m was paid.

The key financial highlights are as follows:

- Total revenue growth of 15.2% to £163.2m (FY23: £141.7m).
- Recurring revenue grew by 16.1% to £149.1m, with recurring revenue representing 91.4% of the total revenue (FY23: £128.5m/90.7%).
- Gross profit has increased by 17.0% to £118.0m.
- Adjusted EBITDA of £28.3m is 15.6% ahead of FY23.
- Adjusted operating profit increased by £1.1m to £9.7m (11.8% increase).
- Adjusted net debt as at 31 March 2024 was £42.0m, excluding £30.3m of IFRS16 lease liabilities that were previously classified as operating leases under IAS17.
- Reported operating profit increased by £9.8m to £0.9m.
- Reported loss before tax has reduced by £7.8m to £4.7m (FY23: £12.5m).

## Financial Review (continued)

### Revenue

Revenue for FY24 was generated wholly from the UK and is analysed as follows:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000	Change £000	Change %
Recurring revenue <sup>1</sup>	149,091	128,461	20,630	16.1%
Product revenue	5,507	7,144	(1,637)	(22.9%)
Services revenue	8,552	6,069	2,483	40.9%
<b>Total revenue</b>	<b>163,150</b>	<b>141,674</b>	<b>21,476</b>	<b>15.2%</b>

<sup>1</sup> For an explanation of the alternative performance measures used in this report, please refer to pages 22-25.

Total revenue increased by £21.5m compared to FY23, impacted by the first full year of revenue generated from FY23 acquisitions of 4D Data Centres and Sungard (FY23 had approximately 9 months of trading of both acquisitions).

Revenue is analysed into the following categories:

- Recurring revenue has increased 16.1% to £149.1m (FY23: £128.5m) reflecting a full year of revenue generated from FY23 acquisitions of Sungard and 4D Data Centres (FY23 had approximately 9 months of trading of both acquisitions), coupled with organic revenue growth.
- Non-recurring product revenue has decreased £1.6m to £5.5m (FY23: £7.1m), with sales activity focused on higher margin services revenue (see below).
- Non-recurring services revenue increased to £8.6m (FY23: £6.1m), reflecting a shift in focus from lower margin product revenue.

### Gross profit

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000	Change £000	Change %
Gross Profit	118,035	100,911	17,124	17.0%
Gross Margin	72.3%	71.2%	N/A	N/A

Gross profit increased by 17.0% (£17.1m) reflecting the Group's increased revenue and contribution from the full year of trading from 4D Data Centres and Sungard Consulting acquisitions. Gross Margin % has increased partly due to higher gross margin recurring revenue from colocation contracts within the 4D Data Centres and Sungard acquisitions, coupled with the impact of a shift in non-recurring revenues away from product sales to higher margin services revenue.

# Financial Review (continued)

## Adjusted operating costs<sup>1</sup>

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

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000	Change £000	Change %
UK employee costs	39,202	34,482	4,720	13.7%
Office and data centre costs	30,702	25,335	5,367	21.2%
Network and equipment costs	14,319	11,824	2,495	21.1%
Other sales, general and administration costs	4,273	3,364	909	27.0%
Offshore costs	1,223	1,414	(191)	(13.5%)
<b>Total adjusted operating costs</b>	<b>89,719</b>	<b>76,419</b>	<b>13,300</b>	<b>17.4%</b>

<sup>1</sup> For an explanation of the alternative performance measures used in this report, please refer to pages 22-25.

Total adjusted operating costs for FY24 were 17.4% (£13.3m) higher than prior year, reflecting:

- Employee costs increased £4.7m (13.7%) primarily due to a first full year of headcount acquired through the 4D Data Centres and Sungard acquisitions;
- Office and data centre costs increased by £5.4m (21.2%), primarily due to the impact of increased electricity costs as several electricity supply contract renewals fell due during the UK energy crisis, and the increase in the number of data centres through the 4D Data Centres and Sungard acquisitions; and
- Network and equipment costs increased by £2.5m (21.1%), and other sales, general and administration costs are up £0.9m (27.0%), both primarily due to the first full year of trading from the 4D Data Centres and Sungard acquisitions.

## Employees

	Year ended 31 March 2024 (Number)	Year ended 31 March 2023 (Number)	Variance (Number)
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### Year-end headcount

UK	562	540	22
India	97	98	(1)
<b>Total employees</b>	<b>659</b>	<b>638</b>	<b>21</b>

	Year ended 31 March 2024 (Number)	Year ended 31 March 2023 (Number)	Variance (Number)
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### Average headcount

UK	561	491	70
India	98	97	1
<b>Total employees</b>	<b>659</b>	<b>588</b>	<b>71</b>

# Financial Review (continued)

## Adjusted EBITDA<sup>1</sup>

Adjusted EBITDA is EBITDA excluding exceptional items (as set out in Note 9), share-based payments and associated National Insurance costs. The same adjustments are also made in determining the adjusted EBITDA margin.

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Reported operating profit/(loss)	852	(8,939)
Amortisation of intangible assets arising on business combinations	5,229	8,183
Amortisation of other intangible assets	781	590
Depreciation of property, plant and equipment	6,089	4,636
Depreciation of right-of-use assets	11,777	10,617
EBITDA	24,728	15,087
Exceptional income	(2,100)	-
Exceptional costs (comprised of):	4,550	8,149
Acquisition fees	350	695
Integration costs	3,467	5,965
Restructuring costs	733	-
Costs relating to the settlement of an historical supplier dispute	-	809
Cloud computing costs	-	680
Share-based payments and associated National Insurance	1,138	1,256
<b>Adjusted EBITDA<sup>1</sup></b>	<b>28,316</b>	<b>24,492</b>

<sup>1</sup> For an explanation of the alternative performance measures used in this report, please refer to pages 22-25.

Adjusted EBITDA increased by 15.6% to £28.3m, £3.8m higher than the prior year. FY24 includes a full year of contribution from the Sungard and 4D Data Centres acquisitions (FY23: approximately 9 months of contribution).

## Taxation, interest and dividends

The tax charge for the year was a credit of £1.2m (FY23: a credit of £3.2m), comprising an income tax charge of £0.2m (FY23: a charge of £0.1m), and a deferred tax credit of £1.4m (FY23: a credit of £3.3m).

Net finance costs for the year were £5.5m (FY23: £3.5m), including £1.3m (FY23: £1.2m) of interest payable on leases of which £1.3m (FY23: £1.2m) related to leases previously recognised as operating leases under IAS17.

The Group paid a final dividend in respect of the year to 31 March 2023 of 2.4p per ordinary share, with a total payment value of £3.8m. This was made up of £1.4m cash with the remainder in dividend shares (see Note 27 for further details).

During the year, the Group paid an interim dividend for FY24 of 1.2p per share, totalling £1.9m as detailed in Note 14 (FY23: 1.2p per share).

A final dividend payment of 2.4p per share will be paid on 24 January 2025, subject to approval at the Company's AGM, to shareholders on the register at the close of business on 13 December 2024 with shares going ex-dividend on 12 December 2024. The last day for Dividend Reinvestment Plan elections is 2 January 2025.

# Financial Review (continued)

## Net debt

During the year, net debt decreased from £73.0m to £72.4m as at 31 March 2024, with the movements shown in the tables below:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Operating profit/(loss)	852	(8,939)
Depreciation and amortisation	23,876	24,026
Exceptional costs	4,550	8,149
Exceptional income	(2,100)	-
Share based payments	1,138	1,256
Adjusted EBITDA <sup>1</sup>	28,316	24,492
Profit on disposal of fixed assets	(53)	-
Working capital movements	114	(1,410)
Movement on provisions	(978)	-
<b>Adjusted cash generated from operations</b>	<b>27,399</b>	23,082
<i>Cash conversion</i>	<b>96.8%</b>	94.2%
Capital expenditure - cash purchases	(9,259)	(6,374)
Capital expenditure - finance lease purchases	(1,485)	-
Asset financing proceeds	2,419	966
<b>Net capital expenditure</b>	<b>(8,325)</b>	(5,408)
Corporation tax paid	(174)	(670)
Interest paid	(3,615)	(1,795)
Loan arrangement fees/fee amortisation	(209)	(291)
Finance lease interest	(1,328)	(1,248)
Effect of exchange rates	(109)	(101)
<b>Other movements in net debt</b>	<b>(5,435)</b>	(4,105)
<b>Normalised net debt movement<sup>1</sup></b>	<b>13,639</b>	13,569
Cash cost of exceptional items	(4,240)	(8,258)
Acquisition of subsidiaries (net of cash acquired)	(890)	(26,606)
IFRS 16 lease additions	(4,237)	(28,314)
IFRS 16 lease additions on acquisition	-	(1,976)
Drawdown on Asset Financing Facility	(2,419)	-
Remeasurement relating to lease modification	-	629
Dividends paid in cash	(1,369)	(5,593)
Disposal of treasury shares on exercise of share options	116	229
	<b>(13,039)</b>	(69,889)
<b>Decrease/(increase) in net debt</b>	<b>600</b>	(56,320)
Net debt at the beginning of the period	<b>(72,965)</b>	(16,645)
<b>Net debt at the end of the period</b>	<b>(72,365)</b>	(72,965)

<sup>1</sup> For an explanation of the alternative performance measures used in this report, please refer to pages 22-25. Exceptional items are outlined in Note 9.



## Financial Review (continued)

### Net debt (continued)

	As at 31 March 2022 £000	Net cash flow £000	Net non- cash flow £000	As at 31 March 2023 £000	Net cash flow £000	Net non- cash flow £000	As at 31 March 2024 £000
Cash	1,804	(335)	(103)	1,366	1,873	(109)	3,130
RCF	-	(31,537)	(2,094)	(33,631)	(2,712)	(3,542)	(39,885)
Term Loan	(1,004)	533	(24)	(495)	474	-	(21)
Asset Financing Facility	-	-	-	-	(1,517)	(2,092)	(3,609)
Lease Liabilities	(17,445)	(21,543)	(1,217)	(40,205)	7,728	497	(31,980)
	(16,645)	(52,882)	(3,438)	(72,965)	5,846	(5,246)	(72,365)

Included in lease liabilities at 31 March 2024 are £30.3m (FY23: £36.9m) of IFRS 16 lease liabilities that were previously classified as operating leases under IAS17.

### Trade receivables and trade payables

In the year, focus remained on maintaining a strong ageing profile with a low level of aged debt. At the year end, 87% of gross trade debt was current or less than 30 days overdue (FY23: 96%).

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Current	14,008	18,450
1 to 30 days overdue	2,928	2,212
31 to 60 days overdue	1,794	557
61 to 90 days overdue	383	283
91 to 180 days overdue	320	194
> 180 days overdue	(43)	(240)
<b>Gross trade debtors</b>	<b>19,390</b>	<b>21,456</b>
Provisions	(1,200)	(1,251)
<b>Net trade debtors</b>	<b>18,190</b>	<b>20,205</b>

Trade debtor days were 36 at 31 March 2024 compared to 46 at 31 March 2023. Trade debtor days are calculated as gross trade debtors divided by revenue (incl. VAT) multiplied by 365.

Trade payable days were 36 at 31 March 2024 compared to 42 as at 31 March 2023. Trade payable days are calculated as trade payables divided by total purchases (cost of sales and operating expenditure) multiplied by 365.

## Financial Review (continued)

### Financing

	31 March 2024			31 March 2023		
	Available £000	Drawn £000	Undrawn £000	Available £000	Drawn £000	Undrawn £000
<b>Committed</b>						
- Revolving credit facility	80,000	40,000	40,000	80,000	34,000	46,000
- Term Loans	21	21	-	496	496	-
- Leases	35,588	35,588	-	40,204	40,204	-
- Asset Financing Facility	7,000	3,625	3,375	7,000	2,309	4,691
	<b>122,609</b>	<b>79,234</b>	<b>43,375</b>	<b>127,700</b>	<b>77,009</b>	<b>50,691</b>
<b>Uncommitted</b>						
- Accordion Facility	20,000	-	20,000	20,000	-	20,000
	<b>20,000</b>	<b>-</b>	<b>20,000</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>
<b>Total borrowing facilities</b>	<b>142,609</b>	<b>79,234</b>	<b>63,375</b>	<b>147,700</b>	<b>77,009</b>	<b>70,691</b>

Uncommitted facilities represent facilities available to the Group, but which can be withdrawn by the lender and hence are not within the Group's control.

As at 31 March 2024, the Group was party to £87.0m of committed banking facilities, comprising a Revolving Credit Facility of £80.0m (net £40.0m utilised at 31 March 2024) and a £7.0m Asset Financing Facility (£3.6m utilised at 31 March 2024). As at 31 March 2024, these facilities are due to expire on 25 April 2026.

The borrowing cost of the RCF is determined by the Group's leverage and has a borrowing cost of 235 basis points over SONIA at the Group's current leverage levels. A commitment fee is payable on the undrawn portion of the RCF at 94 basis points, being 40% of the borrowing cost.

#### David Senior

Chief Financial Officer

15 August 2024



“

The Redcentric cloud team managed the seamless migration of our £100 million e-commerce business, providing us with a stable scalable platform, to help us to grow our business for many years to come.

”

THE WHITE COMPANY  
LONDON

## Alternative Performance Measures

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

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

### Recurring revenue

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

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Reported revenue	163,150	141,674
Non-recurring revenue	(14,059)	(13,213)
<b>Recurring revenue</b>	<b>149,091</b>	<b>128,461</b>

Recurring revenue percentage is the percentage of recurring revenue as a proportion of total revenue.

Recurring revenue makes up 91.4% of total revenue in FY24, an increase of 0.7ppts from prior year (FY23: 90.7%).

### Maintenance capital expenditure

Maintenance capital expenditure is the capital expenditure that is incurred in support of the Group's underlying infrastructure rather than in support of specific customer contracts. This metric shows the level of internal investment the Group is making through capital expenditure. As the measure explains and analyses routine capital expenditure, land and buildings (including any associated assets relating to dilapidation provisions) and asset financing additions are excluded due to the infrequency of this expenditure occurring. Customer capital expenditure relates to assets utilised by the Group in delivering Managed Services to our customers.

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Property plant and equipment additions – excluding additions on acquisition (note 16)	9,318	5,505
Intangible additions – excluding additions on acquisition (note 15)	1,479	869
Right of use asset additions – lease liabilities that would have been classified as finance leases under IAS 17, excluding asset financing	1,033	391
Reported capital expenditure incurred	11,830	6,765
Customer capital expenditure incurred (notes 15 & 16)	(4,099)	(3,234)
<b>Maintenance capital expenditure incurred</b>	<b>7,731</b>	<b>3,531</b>

Maintenance capital expenditure of £7.7m has increased by £4.2m (FY23: £3.5m) driven by additions to PPE for efficiency measures in the data centres, primarily at London West. Customer capital expenditure has increased to £4.1m (FY23: £3.2m) to support revenue growth. We will continue to monitor the Group's capital requirements and invest in the business when appropriate.

## Alternative Performance Measures (continued)

### EBITDA and Adjusted EBITDA

Adjusted EBITDA is EBITDA excluding exceptional items (as set out in Note 9), share-based payments and associated National Insurance. The same adjustments are also made in determining the adjusted EBITDA margin. Items are only classified as exceptional due to their nature or size.

The Board considers that this metric provides a useful measure of assessing trading performance of the Group as it excludes items which impact financial performance such as exceptional costs and the amortisation of acquired intangibles arising from business combinations, which varies year on year dependent on the timing and size of any acquisitions.

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Reported operating profit/(loss)	852	(8,939)
Amortisation of intangible assets arising on business combinations	5,229	8,183
Amortisation of other intangible assets	781	590
Depreciation of property, plant and equipment	6,089	4,636
Depreciation of right-of-use assets	11,777	10,617
<b>EBITDA</b>	<b>24,728</b>	15,087
Exceptional income	(2,100)	-
Exceptional costs (comprised of):	4,550	8,149
<i>Acquisition fees</i>	350	695
<i>Integration costs</i>	3,467	5,965
<i>Restructuring costs</i>	733	-
<i>Costs relating to the settlement of an historical supplier dispute</i>	-	809
<i>Cloud computing costs</i>	-	680
Share-based payments and associated National Insurance	1,138	1,256
<b>Adjusted EBITDA</b>	<b>28,316</b>	24,492

Adjusted EBITDA increased to £28.3m, £3.8m higher than prior year, with adjusted EBITDA margin of 17.4% (up from 17.3%).

### Adjusted operating profit

Adjusted operating profit is operating profit excluding amortisation on acquired intangibles, exceptional items and share-based payments. The same adjustments are also made in determining the adjusted operating profit margin and in determining adjusted earnings per share ("EPS").

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Reported operating profit/(loss)	852	(8,939)
Amortisation of intangible assets arising on business combinations	5,229	8,183
Exceptional costs	4,550	8,149
Exceptional income	(2,100)	-
Share-based payments and associated National Insurance	1,138	1,256
<b>Adjusted operating profit</b>	<b>9,669</b>	8,649

The EPS calculation further adjusts for the tax impact of the operating profit adjustments, presented in Note 13. This metric is used within the Group's dividend policy and is therefore relevant for our shareholders. Share based payments are removed for adjusted operating profit as they are not reflective of trading.



## Alternative Performance Measures (continued)

### Adjusted operating costs

Adjusted operating costs are operating costs less depreciation, amortisation, exceptional items, share-based payments and foreign exchange. This metric shows the day-to-day trading operating expenditure of the Group, excluding non-trading and non-recurring items (items of a nature that the Group does not expect to incur every financial year) which impact financial performance. These are controllable operating costs which provide investors with useful information about how the Group is managing its expenditure.

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Reported operating expenditure	119,283	109,938
Depreciation of right-of-use assets	(11,777)	(10,617)
Depreciation of property, plant and equipment	(6,089)	(4,636)
Amortisation of intangibles arising on business combinations	(5,229)	(8,183)
Amortisation of other intangible assets	(781)	(590)
Exceptional costs	(4,550)	(8,149)
Other operating income	-	(88)
Share-based payments and associated national insurance	(1,138)	(1,256)
<b>Adjusted operating expenditure</b>	<b>89,719</b>	<b>76,419</b>

### Adjusted cash generated from operations

Adjusted cash generated from operations is reported cash generated from operations plus the cash cost of exceptional items. As the Group has been involved in acquisitions and has had other significant, non-repeatable cash impacting items, this measure allows investors to see the cash generated from operations excluding these items which are one-off by nature therefore will not repeat in future years.

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Reported cash generated from operations	23,159	14,824
Cash costs of exceptional items	4,240	8,258
<b>Adjusted cash generated from operations</b>	<b>27,399</b>	<b>23,082</b>

## Alternative Performance Measures (continued)

### Adjusted net debt

Adjusted net debt is reported net debt (borrowings net of cash) less supplier loans and less lease liabilities that would have been classified as operating leases under IAS17 and is a measure reviewed by the Group's banking syndicate as part of covenant compliance as detailed in Note 24.

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Reported net debt	(72,365)	(72,965)
Term loans	21	495
Lease liabilities that would have been classified as operating leases under IAS 17	30,346	36,891
<b>Adjusted net debt</b>	<b>(41,998)</b>	<b>(35,579)</b>

### Normalised net debt movement

The normalised net debt movement, as summarised in the net debt table on page 18, details the movement in net debt before one-off (exceptional) amounts and is therefore a useful indicator to the potential movement in net debt in FY25.

#### David Senior

Chief Financial Officer  
15 August 2024



“

Redcentric is giving us a hugely flexible and functional platform which we can use as a springboard to optimise both IT delivery and care provision.

”

hcr<sup>g</sup>  
Care Group

## Strategy and Business Model

The market for IT Managed Services in the UK is highly fragmented and is served by a broad spectrum of businesses from global telecommunication companies through hardware and software providers, system integrators and a range of independent managed service providers of varying sizes, through to companies providing individual elements of the IT Managed Services spectrum.

The Group provides a broad range of Managed Services across its three core specialist areas of Cloud, Connectivity and Communication, and has formed a divisional structure to ensure each area has dedicated focus with appropriately skilled resource. To complete our product offering, the Group acquired a cyber security business (7 Elements) in FY23 and has built additional cyber security capabilities into its product portfolio.

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

The Group seeks to differentiate itself in three distinct ways:

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

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

In addition to the organic growth strategy outlined in the Chief Executives' summary, the Board's strategy for growth comprises:

- identifying acquisition opportunities for increased scale;
- ongoing investment in expanding and enhancing the Group's own infrastructure so that it can provide its customers with the very highest levels of security and service;
- effective use of the Group's scale and resources to explore and invest in new technologies so that its customers can benefit from the high levels of innovation across the whole industry; and
- organic revenue growth through cross-selling existing products to existing customers and acquiring new customers attracted by our comprehensive product set.

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



## Section 172 Statement – Our Stakeholders

The Board recognises its duty to consider the needs and concerns of the Group’s key stakeholders during its discussions and decision-making. The Board has had regard to the importance of fostering relationships with its stakeholders as set out below and also detailed in the Strategic Report and Corporate Governance Report of this Report. More information on how the Directors have discharged their duties under section 172 of the Companies Act 2006 is also available in the Strategic Report on pages 5 to 50 and Corporate Governance Report on pages 53 to 59.

### Colleagues:

- Colleague briefings – the Company continues to hold monthly colleague briefing sessions with the operating board of the Company (“Operating Board”) to enable colleagues to ask questions and raise issues, and for colleagues to be provided with updates on the business.
- Performance updates – key performance information such as trading updates and financial results are always promptly communicated to colleagues by group wide internal emails and follow up all colleague calls. There are also a number of communications champions across the business who meet monthly to ensure the Company’s commitment to two-way communication with colleagues is met and continually enhance and develop its communications strategy.
- Engagement survey – we completed an all-colleague opinion survey in FY24 to benchmark the engagement of our colleagues and support us in the development of a new action plan which will form the basis of our people strategy moving forwards.
- Learning management – the partnership with LinkedIn learning which was launched in FY23 has been received positively by colleagues, and we have seen a strong uptake and utilisation of the programmes and materials on offer. We have also run further leadership development programmes for our business leaders.
- Colleague support – well-being has continued to be a priority and we have developed and are beginning to implement a more strategically minded well-being strategy to support our colleagues.
- Colleague recognition – our weekly Friday Shout Out recognition scheme has continued, and it is pleasing to see the business’ new colleagues taking part in the opportunity to recognise their colleagues and foster a sense of collaborative working.
- Electric car scheme – the Group has seen substantial uptake in the electric car scheme for colleagues launched in FY23 and run in conjunction with a third-party scheme provider, the scheme works to deliver savings for our colleagues whilst also positively impacting the environment.
- Share schemes – the Company has in place a HMRC approved Save-As-You -Earn option plan (“SAYE”) to enable colleagues to become personally invested as shareholders of the Group. The Company invites participation on an annual basis.
- Further information is included in the Corporate Responsibility section of this Report on pages 34-37 and in the Corporate Governance Report on pages 53-59.

### Customers

- Customer surveys – there is an NPS survey programme run by the Company’s service delivery management team to customers directly following a service review – this ensures a high return rate and continuous feedback from our customers. The results are discussed in monthly service improvement meetings with all department heads, in order that any trends and areas of focus can be addressed.
- Monthly and quarterly service reviews – regular service reviews are held with customers, led by service delivery managers and account managers, with a focus on service experience and further support customers may require.
- RAG Reviews – Service delivery managers record their perception of the customer experience each month for their customers in the preceding period. This is captured into a RAG dashboard (Red, Amber, Green) which is reviewed monthly to identify and overcome any potential service issues.



## Section 172 Statement – Our Stakeholders (continued)

### Customers (continued)

- Customer Success Forum – We have recently launched a senior management focused Customer Success forum. This is an internal monthly forum designed to identify any potential barriers to customer success, and to work collaboratively on any business wide improvement initiatives.
- Daily social media updates – the Group’s social media presence and activity has continued to increase and improve during the year. At least daily updates are provided through the Company’s corporate social media channels (LinkedIn, X and Facebook) and contain key updates and customer case studies. These are shared by customer facing employees, with the sharing of such information now included in the KPIs for such employees, to ensure as wide a reach as possible to keep customers apprised of the Company’s news and offering.
- Customer effort scoring – within the Group’s support systems, the Group reaches out to customers on an ongoing basis to score the support service they have received, with follow up actions taken by the support team based on each customer’s score and requirements.
- Customer service management solution – SMAX continues to be the primary platform for day-to-day interaction with customers. There have been a large number of enhancements to ticket automation carried out in FY24 to ensure tickets reach the correct team as quickly as possible to improve resolution times. There have also been several reporting enhancements implemented to enable better visibility of tickets for customers.
- Targeted customer marketing and communications – during the year, the Group’s marketing team has continued to enhance its customer communications and the way in which campaigns, product launches and solution migrations are communicated. Targeted and personalised communications are agreed between the Group’s marketing team and customers’ account and service delivery managers, to ensure that the right customers are informed and guided through any changes which may affect them. A new monthly newsletter has also been developed, named “Engage”, which is sent to all customer contacts; it shares industry news, operational updates, innovation stories and introduces relevant offers and solutions to ensure customers remain informed of the growing portfolio. There is also a focus on the teams they have access to as part of being a valued Redcentric customer.

### Suppliers

- The Board is committed to fostering and developing effective partnerships with the Group’s suppliers, based on forward planning, collaboration, and trust. These supplier partnerships are crucial in delivering many of our services and in developing them further. The supplier partnerships help the Group deliver value and quality to its customers and help its partners to develop and grow.
- Following the appointment of a new procurement and supply chain Director in the year, a new vendor management framework has been implemented and rolled out across all strategic vendors to drive both supply chain effectiveness and efficiencies but also to enhance the mutual supplier value creation through innovation and collaboration with ‘ecosystem’ partners.
- There is a particular emphasis on key strategic partners, each of whom participate in quarterly partner events on top of normal annual reviews within the Group’s strategic value framework, where product leads, sales and marketing, procurement and operations teams collaborate to further both revenue opportunities and customer value propositions.
- As part of the Group’s commitment to work in line with the ten principles of the United Nations Global Compact, we have issued an externally facing sustainable supply chain policy document and are building ESG measurements into our quarterly strategic vendor assessment criteria.
- All major sourcing initiatives also now include an environmental impact assessment criterion acting alongside more traditional quality and value for money qualifying criteria.
- Supply contract consolidation has been completed following the acquisitions completed in prior financial years, and any legacy strategic suppliers have been identified and elevated into the Group’s strategic value framework to ensure the best relationships are maintained.
- The Company also continues to give additional focus to suppliers in the faster growing sectors of our market, such as Cloud Security and Managed Services, driven by customer requirements; this has culminated in the Company being recognised by VMware’s acquiring owner Broadcom as a Pinnacle Partner in the UK, one of only 7 in the UK and recognising the Company as one of its top 100 global partners.

## Section 172 Statement – Our Stakeholders (continued)

### Suppliers (continued)

- Some of the Group’s strategic partnerships are listed below:
  - Microsoft – Application Development, Application Integration, Cloud Platform, Cloud Productivity, DevOps (all GOLD); Content and Collaboration, Data Platform, Datacentre, Security (all SILVER);
  - Cisco – GOLD;
  - HPE – Silver PRSP (Partner Ready Service Provider);
  - Citrix – CSPP (Citrix Solutions Provider Programme);
  - VMware by Broadcom – Pinnacle Partner;
  - Fortinet;
  - British Telecom; and
  - Virgin Media Business.

### Shareholders

- Analysts and investor meetings – the Chief Executive Officer and Chief Financial Officer hold analyst and investor roadshow meetings throughout the year, particularly following the release of the Company’s interim and full year results and feedback from those meetings is shared with the Board. A full schedule of roadshows took place once again in FY24.
- The Company’s AGM is a key opportunity for engagement between the Board and shareholders, particularly private shareholders. At its most recent AGM, Redcentric was pleased to once again provide the opportunity to hold a face-to-face meeting, but shareholders were also again given the opportunity to submit questions for the Board ahead of the AGM in the event they were unable to attend in person.
- Annual Report and Accounts – the Group’s annual report and accounts is made available to all shareholders both online and in hard copy where requested.
- Group website – all presentations and announcements and other key shareholder information is available on the investor section of the Group’s website.
- Further information is included in the Corporate Governance Report on pages 53-59.

### Environment

- The Company has maintained its ISO 14001:2015 environmental management accreditation, through which it enhances environmental performance, fulfils its compliance obligations, and achieves its environmental objectives.
- The Company continues to see the benefits of the energy conservation measures introduced in relation to its data centres, with all major initiatives completed in the year, such as the full commissioning of cooling plant at our London West site. In addition, a significant step to reduce the Group’s data centre footprint was achieved in FY24 through completion of the project to close the Harrogate data centre and consolidate into the more efficient West Yorkshire site.
- The Group’s hybrid working policy has continued to positively impact environmental performance through reduced office space, energy usage and travel.
- The Group’s electric car salary sacrifice scheme, open to all colleagues as part of its commitment to reduce the Group’s carbon footprint, continues to see strong uptake.
- In FY24, the Group’s Sustainability Committee continued to regularly meet to discuss environmental, social and governance (“ESG”) issues, with representation from across the business. The committee, together with assistance from third-party experts appointed specifically to assist with the Group’s ESG initiatives, has continued to further build on the initial work undertaken in FY22/23 and continues to assess the Group’s position on ESG issues and develop the roadmap and actions for delivering the Group’s ESG strategy.
- Redcentric has continued to engage with third-party specialists to support the Group in calculating Scope 3 emissions and developing its net zero strategy. Once again producing a Task Force for Climate-Related Financial Disclosures (“TCFD”) report, which can be found on pages 38-50 of this Report. The Group continues its commitment to the environment and in support of the Government’s UK-wide target to reach net zero by 2050 and the Group is pleased to have produced the TCFD as part of our statutory reporting requirements.

Further information is included in the Sustainability section of the Report on pages 38-50.

# Our customers

We use our expertise to help our commercial customers to deliver great customer experience, to innovate and to grow profitably.



# Risk Management

The Board takes risk management very seriously and adopts a simple and consistent approach to the identification, monitoring and management of risk across our entire business. Risk management underpins our product enhancements, business growth and most importantly maintains stakeholder confidence.

The Group has a strong framework that is embedded within the business, managing risks smartly to achieve its ambitions safely, delivering on strategies, supporting the business model, protecting all assets and leading the way to a sustainable future are all underpinned by a strong risk averse culture.

## How do we manage our risks?

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

Alongside divisional risk, there are also function specific registers, tailored to the recording, understanding and mitigation of environmental, sustainability, quality management, business continuity and information / cyber security risk, all of which are actively owned and managed by internal teams.

All employees are encouraged to identify, record, monitor and manage risks at local level, empowered to take ownership whilst management oversight is maintained and continued, with regular and independent reviews at all levels.

## Our principal risks

### Sustainability

#### *The Environment*

The Board takes into consideration both main areas of environmental risk, these being the direct and indirect impact on environmental and social areas by Group activities, and the second being the potential impact or influence on the Group and its customers by external environmental issues.

Regarding the Group's impact on the environment, this includes the social, geographical, direct and indirect emissions and overall sustainability of its sites, people, products and processes. As customers seek to reduce their own emissions, demand for the Group's propositions and services change, the Board recognises the importance of our corporate responsibilities to do everything possible to reduce the impact that both Redcentric and its customers have on the environment.

The second environmental focus being the potential impact to Group functions based on external environmental factors and how they may be changing – including environmental disaster – that may impact on its ability to maintain services and keep customers, sites and workforce safe. This is an increasing risk and gains a lot of focus by the Board as the physical impacts of climate change and the actions taken by governments and society to try and limit global warming.

The Group operates a dedicated in-house ESG committee and maintains an environment specific aspects and opportunities register to both understand and mitigate risks to our own continuity through external environmental impacts. The Group is also certified to a recognised environment management standard and maintains an annual set of environmental objectives used to measure and maximise power efficiency across sites, reduce business travel, reduce use of paper and physical peripheries, reduce waste and proactively offset carbon emissions through carbon reduction planning strategies.

The impact of environmental risks has also been considered when preparing the FY24 financials. When undertaking the going concern assessment management have factored in a downside scenario to reflect reduced energy efficiency savings in sustained periods of hot weather (see Note 1.1 for further details). Also, in reviewing the value of intangible assets and property plant and equipment, consideration has been given to any impacts of climate-related risks to fair values or the useful economic lives of assets. Management have deemed these risks as not material for FY24.

#### *Business continuity*

The Board believes that one of the key differentiators that Redcentric offers is that its services are provided over its own controlled and managed infrastructure, such as its own networks and data centres. Whilst this provides customers with comfort around resilience and reliability, the Group is also exposed to a variety of risks to business continuity through infrastructure failure, loss of physical site, logical access failures and impact to its people.

A critical element of the Group's operating methodologies and procedures is to mitigate such risks through the careful construction, maintenance and management of all elements of Business continuity, adhering to industry standard methodology. Operating regular externally audited exercises, the Group maintains continuity plans across all areas, performing regular, top-down assessment of business impact through potential loss of people, processes, tools or sites alongside our fully resilient technical landscape, including regular testing of back-up and recovery plans. This all helps to bolster understanding and maximise availability wherever possible for the Group and its customers.

## Risk Management (continued)

### Technology

#### *Information and Cyber-security*

The market for the Group's services is in a state of constant innovation and change, alongside a huge growth in capability through acquisition and an ever-changing and closely monitored geo-political climate, all of which naturally increases the cyber-risk landscape for the Group and its customers. The Group monitor all short and medium-term implications alongside maintaining constant, pro-active vigilance against such risks, driven from the top down from policy through process and procedure into technology, automation, monitoring and alerting capabilities.

The overall security stance continues to evolve, both internally and externally facing in order to meet the ever-increasing threats placed upon the industry in general and globally. The focus here and current mitigations not only allows the Group to protect itself in the best ways possible, but also offers this capability directly to customers, helping them with their own internal risk.

The Group maintains membership of some of the highest levels of security accreditation as part of the service it offers its customers. In the past year it has also implemented a revised Cyber Security Group Committee to further review and assist internal and external threats, risk, capability and strategy.

### Financial Control

#### *Market and economic conditions*

Market and economic conditions are recognised as one of the principal risks in the current trading environment. This risk is mitigated by the monitoring of trading conditions and the constant search for ways to achieve new efficiencies in the business without impacting levels of service. The Board considers the Group is relatively well protected against significant customer risk due to the Group's diverse and broad ranging customer base, however loss of a major contract remains a principal risk, as discussed below.

#### *Loss of major contract*

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

### Capability

#### *Competition and market pressures*

Redcentric operates in a highly competitive marketplace and, while the Board believes that the Group enjoys significant strengths and advantages in competing for business, some of its competitors are much larger with considerable scale that could allow them to offer similar services for lower prices than the Group would be prepared to match. Competitors could therefore materially adversely impact the scale of the Group's revenues and its profitability. The Group monitors competitors' activity and constantly reviews its own services and prices to ensure a competitive position in the market is maintained. Capability and scale acquisitions throughout the growth strategies have greatly strengthened the Group's positioning within the marketplace, allowing more competitive pricing (scale) and additional service offerings (capability).

#### *Workforce*

As a service provider the Group is dependent on the skill and experience of its established workforce. The Group could be adversely impacted if employee levels are not maintained. The Group continually strives to recruit suitably skilled and experienced employees by offering a challenging and rewarding work environment with appropriate remuneration packages relative to their skills and experience. The Group has offices in multiple locations which helps to access talent pools in various locations across the country.

# Corporate Responsibility

## Our Colleagues

FY24 has been focused on bringing our business together as one team following the acquisitions of FY22 and FY23. We have made massive strides forward in this and I'm delighted to say that all our new colleagues have now been aligned into our respective business units and we are now operating as a combined business supporting all our customers to deliver a great service for them and their customers.

We undertook a further review of our leadership operating structures in September 2023, resulting in a number of changes to our Operating Board structure and roles to set us up for the future. Further consolidating our teams brings massive benefits as we work on continuing to further enhance our collaboration across our business units and teams.

We have specifically been focused over the last 12 months on creating a consistent data centre operating model, replicated across all our data centres sites and in also evolving and refining our customer support teams to ensure we deliver a seamless customer experience for all our valued customers. Our service delivery teams have, likewise, been aligned to our sales team, meaning we can work hand in hand across both service support and account management to best meet our customers' needs.

We have also onboarded a small number of new colleagues from existing service providers as we bring additional services in house, enabling this expertise to be delivered for our customers internally and shared across the wider business.

We are committed to the continuation of our hybrid working model, ensuring we give our colleagues the much-needed opportunity for collaboration opportunities and the ability for focused work time, combining the best of both working practices. Following the move of the Harrogate Data Centre to our leading-edge West Yorkshire facility, we have also invested in an exciting new office environment for our Harrogate based colleagues, which will open in FY25.

It has been another very busy year for all our colleagues as we have broken the back of our integration activity, which now gives us the opportunity to further focus on growing the business in the year ahead. I'd like to thank all our colleagues for their significant efforts and support over the last year, whether this be on integration or business as usual activities. We would not have delivered this strong set of results without their support, knowledge and contributions.

### Listening to our colleagues

In FY20 we launched an ongoing listening programme to ensure we had the opportunity to hear and understand

the views of each and every colleague in our business. As a result of this programme, we have already introduced a number of new people programmes and initiatives over the last four years and we will continue to evolve these in tandem with feedback from our teams.

We are committed to continuing to listen to the views of our colleagues and launched our latest colleague survey, running across all colleagues and business heritages in July 2023.

I am delighted to be able to say that over the last two years we have increased levels of engagement to 73%, which given the acquisition and integration challenges, is an impressive outcome, significantly ahead of the external benchmark.

We are implementing group wide and divisional specific responses to the feedback and have introduced and will continue to introduce a number of initiatives in response to the feedback from our colleagues.

Some of these include:

- The launch of LinkedIn learning across the business to support the performance and personal development of our colleagues, which has seen an impressive uptake;
- A revision to our online performance and development and recognition systems which form part of Peoplecentric, our HR system, enabling colleagues with easy one-stop access to their objective and development actions, as well as the ability to quickly recognise other colleagues more easily;
- Continued access to hybrid working, giving colleagues additional flexibility to work where they will best achieve their daily activities;
- A new externally hosted whistleblowing helpline to give our colleagues enhanced confidence in raising and reporting any areas of concern confidentially;
- Continued access to all our internal communications, keeping our teams connected and engaged with monthly all colleague calls and our weekly recognition shout outs;
- The launch of our Brand champions who are committed to promoting and supporting Redcentric;



# Corporate Responsibility

## Our Colleagues (continued)

### Listening to our colleagues (continued)

- Launch of our new Diversity and Inclusion forum to ensure equal opportunities for all across our business and ensure an inclusive working environment; and
- Investment in upgrades to our office spaces and environment.

### Wellbeing

The physical, emotional and financial wellbeing of our colleagues continues to be a key priority for us, and this has been recognised within the survey feedback and we have a dedicated programme of activity to ensure we continue to support the wellbeing of all colleagues, across a number of differing needs.

#### Physical Wellbeing

All colleagues have access to our private medical and permanent health insurance schemes to give peace of mind and security, with the knowledge help is there if required. In addition, we offer a scheme supporting discounts on dental care, physiotherapy and a range of other health discounts for our colleagues. We have run a number of education programmes over the last 12 months including online fitness and eating healthily, men's mental and physical health and the menopause.

#### Emotional Wellbeing

We have continued and will continue to run our time to talk programme which comprises of a number of access routes for mental health support, led by a number of qualified mental health first aiders. We have also trained a number of additional colleagues as Mental Health First Aiders. Time to talk gives access to our mental health first aider team, access to our employee assistance scheme and supports a number of mental health initiatives including access to workshops including, personal resilience, managing stress, help for sleep, mindfulness and many more.

#### Financial Wellbeing

Financial wellbeing is becoming increasingly important to our colleagues and we have continued to offer a number of schemes to help our colleagues make their money go further including:

- Continued access to our Perks scheme which gives access to a large number of online and high street discounts;
- Continued access to a Tastecard scheme, with discounts on a large number of food chains, retailers and theme parks;

- Continued access to discounted programme of mortgage advice to give colleagues better access to financial advice; and
- Continued access to an electric car scheme partnership delivered via a salary sacrifice programme which enables colleagues to save money on car leases whilst also ensuring we continue to support the environment.

We will continue to look for additional options to support our colleagues over the next 12 months.

All our colleagues also have access to our Employee Assistance programme which offers help and support across a number of key areas, including external counselling support and basic financial advice.

### Equality and diversity

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

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

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

We have now established a new diversity, equality and inclusion forum and created a new diversity and inclusion policy aimed to ensure we support these principles across the business. Our recruitment processes have been reviewed to ensure we recruit from a diverse workforce, and we will be rolling out diversity and inclusion training across the business in the next financial year.

# Corporate Responsibility

## Our Colleagues (continued)

### Gender diversity

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

	Male	Female	Total
Executive Directors	2	0	2
Ops Board	5	2	7
Senior managers	28	6	34
Other employees	500	116	616
<b>Total average headcount</b>	<b>535</b>	<b>124</b>	<b>659</b>

Whilst the gender profile of the company is in line with the industry, we are doing a number of things to address the male/female imbalance as outlined in the section below.

### Gender pay report

Our gender pay report at the snapshot date of 5 April 2023 showed that the overall difference between men and women's earnings at the Group was 25% (mean), which is a slight increase on the previous year's report of 22%. This increase has been driven by the acquisition of the Sungard businesses and is something we are committed to improving.

Our gender pay gap continues to be driven by an imbalance of male and female colleagues at different levels across the organisation. The majority of females in our business continue to sit within the two lowest pay quartiles of the business which has a significant impact on our gender pay gap. We have however, seen a slight increase in the % of females in the top quartile of our business and this is something we are committed to continue making progress on.

We are continuing to focus on initiatives to improve our gender pay gap including:

- Gender balanced interview panels and shortlists;
- An increase in female hires to the Company;
- Our Diversity and Inclusion forum;
- Family flexible policies and working patterns;
- Launch of our sales apprenticeship programme; and
- Working closely with local schools and colleges.

### Apprenticeship programmes

We have continued to support apprenticeship programmes across the business in FY24 supporting the development of our future talent pipeline and building the skills and capabilities of our colleagues. We currently have 16 apprentices in the business, representing a mix of both new and existing colleagues. The majority of our apprentices over the last year are in sales, finance and business development.

We are also continuing to work closely with local schools, colleges and apprenticeship providers to attract local talent into our business. We are still delivering our work experience programme giving local students access to and an understanding of our business and the work environment.

### Share scheme

The Group is a strong believer that having an effective employee share ownership programme helps to align colleagues' interests with those of our shareholders and plays a key part in the attraction and retention of colleagues. In November 2014 the Group launched its SAYE option plan where colleagues contribute a monthly amount of up to £500 across all schemes which is saved over three years to buy shares in the Company at a pre-determined price.

# Corporate Responsibility

## Our Colleagues (continued)

The most recent grant was made on the 2 October 2023, with the Company granting options over a total of 352,068 ordinary shares. These options are available for exercise from 31 October 2026, with an exercise price of 101.33p.

As at 31 March 2024, the following options were outstanding under the plan:

Grant date	Exercise price (p)	Opening options	Options granted	Options exercised	Options lapsed/cancelled	Options remaining
02-Sept-2020	119.60p	143,577	-	(96,019)	(13,545)	34,013
27-Aug-2021	108.33p	93,238	-	-	(1,826)	91,412
23-Dec-2021	99.87p	496,873	-	-	(62,718)	434,155
26-Aug-2022	96.07p	474,522	-	-	(98,549)	375,973
02-Oct-2023	101.33p	-	352,068	-	(12,446)	339,622
<b>Total</b>	<b>n/a</b>	<b>1,208,210</b>	<b>352,068</b>	<b>(96,019)</b>	<b>(189,084)</b>	<b>1,275,175</b>

### Charitable activity

We continue to be committed to supporting local charities and communities through FY24 and it is really pleasing to see our colleagues continuing and further embracing our support for charities and local/national fund raising.

We have an ongoing partnership with Generation, a national charity which supports underprivileged young adults into the workplace.

From a charity perspective we have maintained our support and commitment to a number of key charities through colleague fundraising initiatives including:

- Mission Christmas
- Macmillan coffee morning
- Children's Heart Surgery Fund
- Charity Walks
- Yorkshire Three Peaks raising over £13,000 for Children's Heart Surgery Fund

We continue to support local volunteering activity and fundraising by encouraging all colleagues to use their day's paid volunteering leave to support causes close to their heart and we have seen a higher than ever uptake of volunteering days. In addition, colleagues are keen to support their own charities via a number of personal fundraising activities and we have seen an increase in this over the last 12 months.

We are also continuing to evolve our national corporate social responsibility ("CSR") strategy to support our key customers in their local areas and are proud to be doing so.

### Health and safety

The Group is committed to maintaining high standards of health and safety. New starters receive health and safety training through our online learning management system during their induction period and refresher training is provided to all colleagues every twelve months. There was one RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) accident reported during the year.

All our offices and sites have been assessed through the course of the year and we are confident all sites comply with all health and safety requirements. We have introduced new lone working technology with an external partner, SoloProtect to safeguard any lone workers and this has been rolled out across the Company. Additional training has been made available for our data centre and facilities colleagues to support their ability to operate in a safe and compliant manner.

# Sustainability Reporting

Within the Group, we recognise the importance of addressing the potential risks and opportunities presented by climate change. We are committed to being responsible and sustainable in our operations, as an IT Managed Services company. We are captured under The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. Therefore, we have produced a climate related financial disclosure and aligned it with the Task Force on Climate-related Financial Disclosures (TCFD). It is important to us to disclose on the four TCFD recommendations Pillars: Governance, Strategy, Risk Management and Metrics and Targets and the 11 recommendations, to communicate our climate change management to our external stakeholders. This is the first financial year that we have been legally required to produce climate related financial disclosures. In the last financial year, we produced a voluntary TCFD report. Also, we disclose our energy usage and carbon emissions in a report following the Streamlined Energy & Carbon Reporting (SECR) regulation, thereby abiding by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Further, our Net Zero target and strategy enable us to align with the UK's 2050 net zero targets, supporting our monitoring and managing of our emissions across the Group.

## The TCFD Framework

Climate change presents noteworthy trials for businesses, compelling them to adopt measures that mitigate risks and adapt to the existing changes. By doing so, companies can cultivate operations that are both sustainable and resilient. The Task Force on Climate-related Financial Disclosures (TCFD) was instituted by the Financial Stability Board (FSB) in 2015 with the purpose of formulating a series of recommendations for companies to divulge climate-related risks and opportunities.

The TCFD has gained support from a wide array of organisations, including the G20, the International Monetary Fund (IMF), and the World Bank. An increasing number of companies are now embracing the practice of disclosing climate-related information in accordance with the TCFD framework. This framework is designed to aid companies in comprehending and managing climate-related risks and opportunities. It facilitates investors and other stakeholders in grasping the financial impacts of climate change and represents a significant stride towards tackling this issue.

The TCFD framework encompasses 11 recommendations that are categorised into four key themes: Governance, Strategy, Risk Management and Metrics and Targets. By adhering to these recommendations, the Group can identify, evaluate, and address climate-related risks and opportunities that impact our operations.

## About us

The Group is a provider of IT Managed Services. We deliver highly available Cloud, Communications, Network and Cyber Security solutions that help public and private sector organisations succeed. Founded in 1997, we have fast and secure data centres in 10 locations around the UK.

### Our Vision

- A trusted cloud and communications transformation partner, underpinned by strong networking and security services.

### Our Mission

- We deliver agile, available and assured solutions that help organisations succeed.

### Our Values

- Our values support our strategic objectives and sit at the heart of our business and our culture. We work hard to integrate our values into everything we do.



#### Proactive

We think and act quickly



#### Inspired

We create excitement through innovation



#### Trusted

We do what we say we will



#### Collaborative

We work together to deliver a common goal



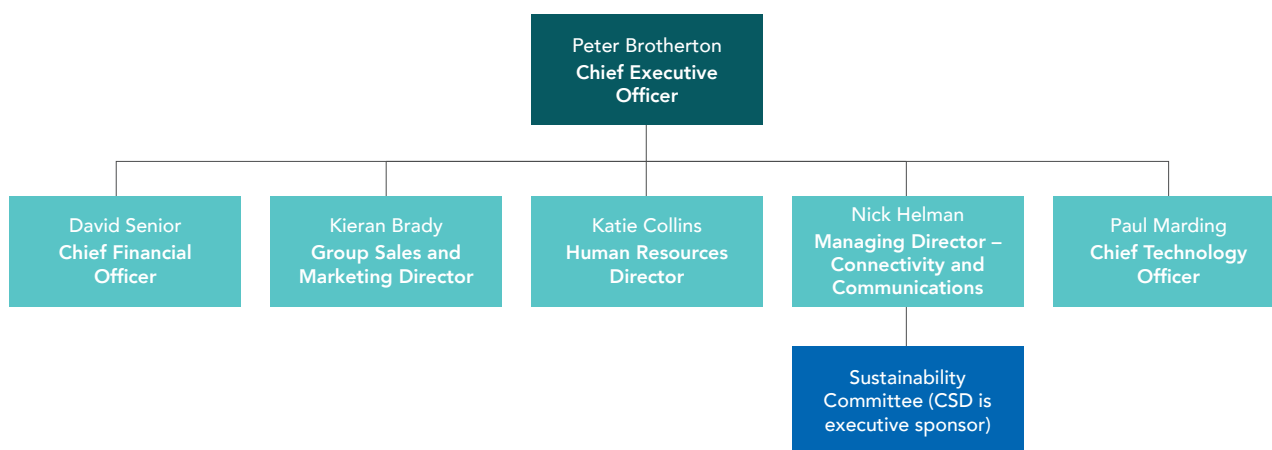
#### Transparent

We are open, honest and fair

# Sustainability Reporting (continued)

## Governance

The Group remains committed to a rigorous and reliable approach to identifying, monitoring and managing risk across all aspects of our business. Our consistent risk management approach is grounded in our core values and supports our overall business strategies, to ensure their success. The below table shows Redcentric's governance structure.



## The Board of Directors

Details of the Board of Directors and their experience can be found at pages 60-61.

The Board is responsible for the Group's response to climate change. They ensure that appropriate climate management practices are integrated into our future business operations and financial strategy. The Board provides oversight on climate-related risks and opportunities and annually evaluates progress in this area. The Board are supported by our third-party ESG specialists, Inspired Energy, who provide expertise on climate change to support this process.

The Board has the ultimate responsibility for our response to climate change, with oversight on climate-related risks and opportunities, which is bi-annually reviewed at Board meetings at a minimum. This is led by our Chief Executive Officer ("CEO"), Peter Brotherton, and Chief Finance Officer ("CFO"), David Senior, who hold responsibility for overseeing sustainability and regularly communicating our priorities with both the Board and key stakeholders. During FY24 ESG criteria were introduced in the remuneration structure of Operations Board to ensure ESG strategy is aligned with individual and management objectives. The Board is supported by the Committee, which aims to update the Board quarterly through the Managing Director of Connectivity and Communications (Nick Helman), who is a part of the Committee, enabling the Board to monitor and oversee progress against goals and targets associated with climate change throughout the year. These updates, including the updated climate risk register, enable the Board to consider climate-related issues that the Committee has identified as relevant to Redcentric during the review of Redcentric's business strategy and major action plans. Inspired Energy provided training in March 2024 on climate change and the emerging vital themes, ensuring the Committee can identify and monitor changes as they arise and remain competitive within our field. This training has been shared with the Board as part of their climate risk register sign-off to ensure they understand the context of the risks with up-to-date information.

The Committee was established in FY23, which has been delegated responsibility for reviewing and monitoring sustainability performance by the Board. The Committee has also delegated responsibility for identifying, assessing and managing climate-related risks and opportunities which is conducted annually. The Committee hosted three meetings in FY24. Attendance was made up of our members, 18 senior managers and Directors of the Group, covering key departments of our business. In the most recent Committee meeting (14 March 2024) Inspired Energy supported us with our annual climate scenario analysis, attended by one Board member and the wider Sustainability Committee. This resulted in an updated climate risk register, which ties in with the overall Redcentric risk register and assessment process, however, it is a separate document due to the nature and timeframes considered in the climate risk register. We will review the possibility of integrating the two risk registers in FY25.



# Sustainability Reporting (continued)

## Risk Management

In our second year of following the TCFD recommendations (FY23 being voluntary adoption), we have continued to follow a tiered hierarchy for risk management, to ensure climate risks and opportunities are integrated seamlessly into our overall risk management. Each risk and opportunity are allocated a risk owner to oversee during the year, and feedback is provided to the Committee during annual reviews, to ensure ownership is taken by the most appropriate team and the risk is managed as effectively as possible. Consideration of integrating our climate risk register into the corporate risk register will be a priority in FY25 following the climate risk registers introduction of the central register format and risk levels at the beginning of the next financial year (FY25).

We are confident in our ability to respond and adapt to climate-related risks, whilst appreciating the size of impact climate-related risks will have on businesses in the UK in the coming years. To keep on top of this we have a dynamic, detailed risk management framework that enables us to consider emerging climate-related risks with a business focus. The following steps guide our climate risk management, which has been created in line with TCFD best practice guidance.

### Identify

Our third-party ESG specialists provided an updated climate scenario analysis in FY24. Subsequently, we identified changes in the vulnerabilities in our sites, which we plan to conduct annually, to monitor any changes in vulnerabilities and opportunities, so we can act. In this financial year's assessment, we identified three material physical risks, one material transition risk and three opportunities with varying impacts across our 10 sites. This included our key suppliers' 22 sites within climate scenario analysis, with 22 of our suppliers vulnerable to climate-related risks and opportunities assessed to consider the impact of climate across our supply chain.

### Assess

Within our annual physical and transition climate risk management workshops conducted with our third-party ESG specialists, Inspired Energy, in March 2024 (the transition workshop fell just outside the financial year April 2024), we discussed the impact of each risk and opportunity on the business across three scenarios (<2°C, 2-3°C and >3°C) and three timeframes (short (2023-2027), medium (2028-2037) and long-term (2038-2052)), analysing how each risk and opportunity may affect Redcentric's operations, especially sites which are particularly vulnerable. Once discussing each risk and opportunity, an individual magnitude and likelihood score was assigned to each climate-related risk and opportunity (see Tables 7-9) based on the expertise shared by our ESG specialists.

### Appraise

Following the initial scoring, we discussed all mitigation measures that took place, to reduce the impact of the risk and take advantage of the opportunities. The mitigation identification is supplemented by a broader internal stakeholder review conducted by our ESG specialists of Redcentric's risks and mitigations to supplement the climate management system beyond the direct risk owners in the Sustainability Committee.

Considering all mitigation and adaptation measures in place, the Group reassessed the magnitude and likelihood of the risks and opportunities based on the true vulnerabilities, giving a final residual risk score which falls under risk levels of very low, low, medium, high and very high (classification of the risks can be found within Tables 4,5 and 6).

Following the climate risk management workshops, we updated our climate risk management framework that feeds into our business's existing risk management process, to ensure that our operations remain resilient to climate change. For the next climate-related financial disclosure report, we intend to perform detailed financial modelling of the climate-related risks with specific Redcentric-focused estimates of the size of financial impact beyond the consideration in Tables 7-9.

### Address

The risks and opportunities that were deemed material were assessed, and additional mitigation control measures were introduced to manage opportunities and minimise the risks. These actions will be considered at the next annual risk meeting where progress will be reported. The overall business represented by the Committee is responsible for managing the scope 1, 2 and 3 reductions in line with our net zero strategy. As identified in our physical and transition risks, management of our scope 1 and 2 emissions is a key approach to prevent the most serious impacts of climate change.

The final result of the four-part risk management system is an updated risk register, for which the Committee holds responsibility.

# Sustainability Reporting (continued)

## Strategy

Climate Change has been categorised as a principal risk to Redcentric's overall business since August 2021, where the Group's overarching Risk Committee (material risks are a medium risk or higher) rated climate change as material to the business. Climate change has already impacted our operations and is deemed a material risk. Managing and mitigating these issues through a clear strategy ensures that our growth plan, customer delivery, and shareholders' returns are not affected.

Annually, our compliance team refine our risk matrix, to identify any emerging risks or opportunities for the business adequately. This is conducted through climate scenario analysis, where all Redcentric's sites (10) and key supplier sites (22) are considered over three warming pathways and time horizons. Through this analysis, we can adapt and mitigate the risks climate change poses for our operations. This financial year, we have included key suppliers in our climate scenario analysis, to consider the whole supply chain impact and indirect risks and opportunities that Redcentric may experience due to climate change. Climate-related risks and opportunities which have been considered material (risk rating of a medium or higher impact) are outlined in Tables 7, 8 and 9. This information feeds directly into our operations and financial planning.

## Climate Scenarios

The three warming scenarios used in our analysis are based on the predicted increase in global average temperatures by 2100, compared to the pre-industrial era. Our climate modelling was conducted to align with the UK net zero target by 2050. Each scenario highlights significant points where parts of the climate cannot return to normal, known as a tipping point. Tipping points are elements of the Earth's system that have the potential to change abruptly in response to warming. A small change marks a point of no return and permanently alters our climate.

Climate scenarios are future projections of our climate, considered under differing potential warming pathways. Climate scenarios are a culmination of several climate models and internationally established frameworks. These include the International Energy Agency's World Energy Models ("WEM"), the Shared Socioeconomic Pathways ("SSPs"): Climate Natural Catastrophe Damage Model, the Coordinated Regional Climate Downscaling Experiment (CORDEX) regional climate forecasts, and Integrated Assessment Models ("IAM"). While these models offer detailed insights into potential futures, their accuracy is not guaranteed. Discrepancies between model predictions and real-world observations are common when evaluating our climate, potential exaggerations or underestimations of climate variables may occur.

**Table 1:** A table to show the three warming pathway scenarios.

Scenario Warming Pathways
<p><b>Below 2°C ("Proactive") Scenario:</b></p> <p>Organisations adhere to a coordinated and orderly transition to a low-carbon economy, aligning closely with the Paris Agreement and Science Based Targets Initiative (1.5°C), for an orderly and coordinated transition to a low-carbon economy.</p> <p>Under the proactive scenario, Redcentric will likely be exposed to more regulatory and consumer demands, with the opportunity to shift operations further towards lower-emission and energy-efficient business operations to meet market needs.</p>
<p><b>Between 2-3°C ("Reactive") Scenario:</b></p> <p>Policies and legislation are introduced with a staggered effect, with inconsistent levels of action being taken that align with current forecasts.</p> <p>Redcentric may experience the effects of climate tipping points and the impacts of severe physical risks across several sites.</p>
<p><b>Above 3°C ("Inactive") Scenario:</b></p> <p>Minimal climate action is taken, and emissions go unchecked, resulting in a worst-case climate scenario.</p> <p>The inactive scenario appears to be the most impactful on Redcentric's business model, forcing us to adapt to physical climate risks, likely without green financing opportunities at a significant cost. In addition, it may be too late to benefit from the opportunities we highlighted in Table 8 in this scenario.</p>

# Sustainability Reporting (continued)

## Strategy (continued)

### Climate Scenarios (continued)

**Table 2:** A table to show the three-time horizons.

Time Horizons
<p><b>Short-term (2023-2027):</b></p> <p>The greatest changes would be in the proactive scenario over this time period, in the next few years. Although, we do not have any material risks in this time horizon. Therefore, there is no major potential impact on Redcentric in the short-term scenario.</p>
<p><b>Medium-term (2028-2037):</b></p> <p>This scenario aligns with our near-term scope 1, 2 and 3 targets outlined in the Metrics and Targets section. In this period, physical impacts would be experienced, and in the reactive scenarios, policies will tighten.</p>
<p><b>Long-term (2038-2052):</b></p> <p>This scenario is consistent with our net zero target and the UK Government's net zero pledge by 2050. The greatest physical impacts would be experienced in this period in the inactive scenario. This period is where most of our material physical risks are likely to be experienced.</p>

Redcentric aims to conduct climate scenario analysis on our sites every financial year, to update our knowledge and categorisation of our physical and transition risks. This financial year we conducted our physical climate risk workshop with the Committee in March 2024. However, due to staff constraints, the transition climate risk workshop was not conducted until April 2024, which falls into the following financial year.

During these sessions using last year's data alongside updated site data and 22 of our key supplier sites, we discussed and rated our risks and opportunities, providing a risk rating for each based on the likelihood and magnitude of impact with our 5x5 RAG (red, amber and green) rating system (Tables 3, 4 and 5) to provide a potential impact figure. The Committee discussed the current mitigation measures and reassessed the likelihood and magnitude of each climate-related risk and opportunity to consider a more accurate risk score. The scores identified post-mitigation measures which are disclosed with each risk and opportunity. Risks that were considered material (risk rating of a medium or higher impact) are outlined in Tables 6, 7 and 8. We will endeavour to undergo this analysis annually.

**Table 3:** A table to show our likelihood rating process.

Rating	Likelihood Rating Description
5 – Very High	It is almost certain that the risk will occur, as there are no controls in place, or it has happened in the past.
4 – High	It is highly possible that the risk will occur, as there is limited or no mitigation in place.
3 – Medium	It is possible that the risk will occur, as only some mitigation is in place.
2 – Low	It is unlikely that the risk will manifest, as good mitigation levels are in place and tested (where possible).
1 – Very Low	It is highly improbable that the risk will occur, as the controls in place are considered excellent.

## Sustainability Reporting (continued)

### Strategy (continued)

#### Climate Scenarios (continued)

**Table 4:** A table to show the magnitude rating process.

Risk Value	Operational	Financial	Legal	Compliance	Reputational damage
1 – Very Low	No impact.	No financial impact.	None.	None.	None.
2 – Low	Minor impact on operations.	Minor financial impact.	None.	None.	Staff aware, loss of morale, single customer aware.
3 – Medium	Some impact on operational functions that may be visible to staff or customers.	Some financial loss.	Breach of laws, regulations or contracts, leading to litigation or prosecution and fines.	Potential breach of some compliance obligations or major non-conformance.	Multiple customers and businesses aware, local media coverage.
4 – High	Operations unable to function adequately to meet some internal or customer service requirements.	Significant financial loss.	Breach of laws, regulations or contracts, leading to litigation or prosecution and significant fines.	Breach of compliance obligations leading to potential loss of certification.	Widespread local or limited national media coverage.
5 – Very High	Business threatened due to the inability to support staff or customers at a wholesale level, breaches of Service Level Agreements (SLAs), huge levels of critical service downtime etc.	Major financial losses/ business threatened	Breach of laws or regulations leading to prosecution and imprisonment.	Loss of one or more certified obligations or frameworks leading to potential loss of large revenue streams and/or fines.	Widespread national media coverage.

**Table 5:** A table to show the risk rating scale.

Rating	Measure	Rating Description
Low	1 - 24	No further activity necessary. The low level of risk does not justify additional controls being put in place.
Medium	25 - 48	Management will apply their judgement as to whether the risks are acceptable. Controls will be applied as appropriate.
High	49 - 75	Management will select appropriate controls.

Tables 6 to 8 show the climate-related risks and opportunities, which were rated medium or higher and deemed material to Redcentric's business operations, based on the ratings described in Tables 3, 4 and 5. The transition risks impact the overall business, whilst the physical (divided by acute and chronic) risks impact specific locations (Table 7). Six physical risks, thirteen transition risks and five opportunities were assessed during this process (of a medium risk or higher to Redcentric). One transition risk, three physical risks and three opportunities were deemed material.

# Sustainability Reporting (continued)

## Strategy (continued)

### Climate Scenarios (continued)

**Table 6:** A table showing the transition risks (risks related to the transition to a low-carbon economy) which may impact Redcentric over time.

Climate-related Risk	Potential Impact Area	Risk Mitigation
<p><b>1.1 Legal – Reporting requirements will increase due to climate change</b></p> <p><b>Scenario:</b> &lt;2°C and 2-3°C</p> <p><b>Timeframe:</b> Short – Medium term (2023-2037)</p> <p><b>Risk Level:</b> Medium</p>	<p>Leading up to the UK net zero target of 2050, it is likely that stricter regulations (such as SECR, Energy Saving Opportunity Scheme (ESOS), etc.) are going to be required of businesses, to monitor and reduce energy usage and emissions. Compliance costs including consultancy fees and internal resources will rise with increased regulation. Emission reporting may require verification, accelerating calculation turnaround, with higher costs. Non-compliance could lead to litigation and reputational damage. While the Task Force on Nature-related Financial Disclosures (TNFD) regulations are currently voluntary, stakeholders may anticipate mandatory implementation. In the EU, proposed legislation aims to restrict misleading climate claims and introduce a Carbon Border Adjustment Mechanism (CBAM). Similar measures are under consideration in the UK, potentially taking effect in 2026.</p> <p><b>Financial impact area:</b> Expenditure in directly incurred costs.</p>	<p>Our ESG team will research opportunities to reduce energy use from our data centres and discuss any emerging regulations on products and services.</p> <p>However, due to the nature of our business focusing more on providing services over products, we do not anticipate this risk to have a big impact.</p> <p>We have worked with third-party ESG specialists who keep us updated on any new or proposed regulations from the perspective of climate change.</p> <p><b>Related Metrics:</b> Scope 1, 2 and 3 emissions and Net Zero Strategy.</p>

**Table 7:** A table showing the physical risks (related to the physical impacts of climate change) that may impact Redcentric over time.

Climate-related Risk	Potential Impact Area	Risk Mitigation
<p><b>1.1 Physical Risk – Acute – Severity of flooding will increase</b></p> <p><b>Scenario:</b> 2-3°C and &gt;3°C</p> <p><b>Timeframe:</b> Medium – Long Term (2028-2052)</p> <p><b>Risk Level:</b> Medium</p>	<p>A total of ten Redcentric sites were considered under our climate scenario analysis and seven sites (including Cambridge, West Yorkshire and London West) were classified as vulnerable to the impacts of flooding. Possibility of short circuits which can cause serious damage, fires or small-scale explosions. The effects of water and moisture can cause long-term damage, resulting in insulation damage, corrosion, cable and equipment failure. Damages could require equipment to be replaced, leading to an increase in capital spend. Reliance on local electricity supply to power data centres could lead to disruptions in operations. In addition, fourteen of our key suppliers (64%) were found to be vulnerable to flooding, showing our risk across the business, which requires us to consider our mitigations with this information to ensure preparedness.</p> <p><b>Financial impact area:</b> Expenditure in directly incurred costs.</p>	<p>We proactively monitor extreme weather events and receive updates from the environmental agency, which helps us act upon alerts and extreme weather warnings. Annual BCDR (Business Continuity and Disaster Recovery) Crisis Management Exercises were held in February 2024. These exercises considered flooding as the theoretical crisis event and included all the teams into its scope.</p> <p>Our staff can work from home if necessary. Some of our sites have mitigation measures, to deal with flooding events, or are situated on elevated ground, thereby reducing the impact. We have ensured we are comprehensively covered by insurance on the sites most at risk from flooding. In the long-term, we will ensure that drainage systems at our sites are well maintained and serviced. To reduce the physical effects of floods at these sites, adequate upkeep of drainage networks will be conducted along with continuous robust flood risk assessments.</p> <p><b>Related Metrics:</b> Scope 1, 2 and 3 emissions and Net Zero Strategy.</p>



# Sustainability Reporting (continued)

## Strategy (continued)

### Climate Scenarios (continued)

**Table 7 continued:** A table showing the physical risks (related to the physical impacts of climate change) that may impact Redcentric over time.

Climate-related Risk	Potential Impact Area	Risk Mitigation
<p><b>1.2 Physical Risk – Acute – Extreme Heat</b></p> <p><b>Scenario: 2-3°C and &gt;3°C</b></p> <p><b>Timeframe: Short-Long term (2023-2052)</b></p> <p><b>Risk Level: Medium</b></p>	<p>All ten of our sites and 22 of our supplier's sites are vulnerable to the impacts of extreme heat. Extreme heat can reduce staff productivity and cause physical damage to facilities, resulting in profit loss. Increased demand for cooling, such as air-conditioning, raises energy costs and emissions in sites such as Shoreditch. Employees may seek companies with cooling during heatwaves. Construction materials may change properties in extreme heat. Power disruptions can harm customers, and data centres may overload, leading to outages and data loss.</p> <p><b>Financial impact area:</b> Expenditure in directly incurred costs.</p>	<p>Data centres must be cooled to operate under their capacity, which is optimal. We are currently on a programme of equipping our data centres to deal with the increasing heatwaves over the medium to long-term. This has and will continue to require capital expenditure investment to deliver, however two of our biggest sites, London West and Woking, have seen this investment in FY24. This enhanced cooling infrastructure will see both reduced carbon emissions and reduced operating costs during warmer periods.</p> <p><b>Related Metrics:</b> Scope 1 and 2 emissions and Net Zero Strategy.</p>
<p><b>1.3 Physical Risk – Chronic – Rising Mean Temperatures</b></p> <p><b>Scenario: 2-3°C and &gt;3°C</b></p> <p><b>Timeframe: Long – Term (2038-2052)</b></p> <p><b>Risk Level: Medium</b></p>	<p>All ten of our sites from Reading to West Yorkshire are vulnerable to the impacts of rising mean temperatures. Damage to property and disruption to maintenance services can incur financial losses. Costs arise from installing and maintaining air conditioning, to meet new building standards for comfortable working temperatures. Increased energy usage and cooling needs escalate expenses. Heat-related illnesses cause absenteeism, reducing productivity. Globally, up to 2% of working hours are lost annually, due to extreme temperatures, impacting efficiency. Temperature fluctuations can impair computing capacities, posing potential revenue challenges for Redcentric. This may be further impacted by supply chain issues with difficulty in securing stock with all 22 of our suppliers being vulnerable to rising mean temperatures.</p> <p><b>Financial impact area:</b> Expenditure in directly incurred costs.</p>	<p>Data centres must be cooled to operate under their capacity, which is optimal. We are currently on a programme of equipping our data centres to deal with the increasing heatwaves over the medium to long-term. This has and will continue to require capital expenditure investment to deliver, however two of our biggest sites, London West and Woking, have seen this investment in FY24. This enhanced cooling infrastructure will see both reduced carbon emissions and reduced operating costs during warmer periods.</p> <p>Outside of the data centres, our presence is mainly limited to the office space in Harrogate and York, which is comparatively small, and impact expected to be minimal. A large proportion of the workforce work remotely. Geographically speaking whilst globally extreme heat can cause workforce issues, it is not expected that a 2-3 °C increase in the UK would have a material impact on the workforce and its productivity. Management of the impacts will be conducted on a case-by-case basis that is monitored where weather warnings are given, and support provided for employees through their managers as the first port of call.</p> <p><b>Related Metrics:</b> Scope 1 and 2 emissions and Net Zero Strategy.</p>

# Sustainability Reporting (continued)

## Strategy (continued)

### Climate Scenarios (continued)

**Table 8:** A table showing the climate opportunities which may impact Redcentric.

Climate-related Opportunity	Potential Impact Area	Opportunity Management
<p><b>1.1 Resource Efficiency – Use of energy-efficient technology</b></p> <p><b>Scenario:</b> &lt;2°C and 2-3°C</p> <p><b>Timeframe:</b> Short-Medium term (2023-2037)</p> <p><b>Opportunity Level:</b> Medium</p>	<p>We have initiated our net zero journey, by collaborating with third-party ESG specialists, to establish achievable GHG targets, aligned with the UK's 2050 net zero strategy. We can deploy energy-efficient technology throughout our operations. Although this technology may involve high capital costs, it enhances process efficiencies, resulting in reduced energy consumption and lower energy costs. The resultant energy savings yield rapid payback periods, generating net financial gains over the technology's lifespan. Investing in water and energy efficiency technology, can bolster operational resilience, particularly in sites vulnerable to flooding and water stress. Additional strategies such as borehole implementation and natural cooling methods like greenery-covered walls and roofs contribute to efficient water usage and temperature regulation.</p> <p><b>Financial impact area:</b> Reduction in operating expenses because of increased efficiency (e.g., energy costs).</p>	<p>We can position ourselves to be ready for changing customer demands as we are on our net zero journey. Substituting current technology in data centres would come at a cost to the business. However, we are undergoing measures to improve energy efficiency by 40%. The replacement of inefficient water chillers with gel cooling in the London West site will be progressed in FY25, significantly accelerating consumption reduction.</p> <p><b>Related Metrics:</b> Scope 1 and 2 emissions and Net Zero Strategy.</p>
<p><b>1.2 Product and Services – New low-emission product and service lines</b></p> <p><b>Scenario:</b> &lt;2°C and -3°C</p> <p><b>Timeframe:</b> Short – Medium term (2023-2037)</p> <p><b>Opportunity Level:</b> Medium</p>	<p>Organisations that innovate and develop new low-emission products and services, may improve their competitive position and capitalise on shifting consumer and producer preferences. Consumer goods and services place greater emphasis on a product's carbon footprint in its marketing and labelling (e.g., travel, food, beverage and consumer staples, mobility, printing, fashion, and recycling services). Producer goods highlight the reduction of emissions (e.g., adoption of energy-efficiency measures along the supply chain).</p> <p><b>Financial impact area:</b> New revenue streams.</p>	<p>Our marketing teams host quarterly events tailored to specific sectors, engaging current and potential customers to better understand their needs. The takeaways from events are communicated across the business. This helps to have a fair understanding of the changing market demands and then to offer any changes to our services accordingly.</p> <p><b>Related Metrics:</b> Scope 1.</p>
<p><b>1.3 Resilience – The business is adapted and positioned to deal with climate change</b></p> <p><b>Scenario:</b> &lt;2°C and 2-3°C</p> <p><b>Timeframe:</b> Short-Medium term (2023-2037)</p> <p><b>Opportunity Level:</b> Medium</p>	<p>The concept of climate resilience involves organisations developing adaptive capacity to respond to climate change to better manage the associated risks and seize opportunities, including the ability to respond to transition risks and physical risks. Opportunities related to resilience may be especially relevant for organisations with long-lived fixed assets or extensive supply or distribution networks (those that depend critically on utility and infrastructure networks or natural resources in their value chain and those that may require longer-term financing and investment).</p> <p><b>Financial impact area:</b> Expenses for developing an adaptive strategy.</p>	<p>We have initiated our net zero journey, by collaborating with third-party ESG specialists, to establish achievable carbon targets, aligned with the UK's 2050 net zero strategy. We have hosted workshops, to understand our risks and how we can adopt mitigation measures for physical and transition risks. We will publish a TCFD report, to communicate our efforts to stakeholders annually. We created the Committee in FY23 and established a net zero strategy with an aim to validate near-term and long-term targets with the Science Based Target initiative (SBTi) in FY25.</p> <p><b>Related Metrics:</b> Scope 1, 2 and 3 emissions and Net Zero Strategy.</p>

# Sustainability Reporting (continued)

## Strategy (continued)

### Climate Scenarios (continued)

Our climate scenario analysis physical and transition risks workshops completed across March and April 2024 will result in an updated risk register to reflect any changes of the vulnerabilities of our sites and business overall from climate change. Within the risk register, we categorise the financial impact area to ensure that the risks are considered when undergoing financial planning and relevant strategies. In addition, the risk owners set are relevant to the business area the risk or opportunities will most likely impact, enabling their individual budgets to be informed by this knowledge. This is an example of where we implement the TCFD principle of strong governance from the top down of our risk management, to assist us with our everyday business as well as our annual reporting.

Overall, we feel that we are well prepared and resilient to the transition to a low carbon economy consistent with a 2°C scenario, with only one material transition risk and three physical risks identified in the workshops. Our strong mitigation measures established as a result of having analysed our risks in the previous financial year will have even greater oversight in FY25 with the climate risk registers integration into the company wide register.

## Metrics & Targets

Our goal for the world is to be net zero by FY50. Net zero requires a concerted effort over time to eliminate GHG emissions, with compensatory measures as a final step for any emissions that can't be reduced. The SBTi net-zero standard requires a 90% reduction in emissions prior to any residual offsets, up to 10% of the baseline, being offset using carbon removal offsets. This is supported by our roadmap to meet our target, with interim targets and a strategy to ensure we meet these reductions:

1. Net-zero (at least 90% absolute reduction) Scope 1, 2 and 3 emissions by FY50, from a FY22 base year.
2. 86% of suppliers (by spend) covering Scope 3 Category 1 and Category 2 will have science-based targets by FY28.
3. 42% absolute reduction in Scope 1 and 2 emissions by FY30, from a FY22 base year.

Our Scope 1 and 2 emissions have a separate target to our scope 3 due to the complexity of collating scope 3 data, the breadth it covers and the time it will take to reduce. To achieve our targets for scope 1 and 2 we would need an annual average reduction of 5% per year and for Scope 3 of 4% per year (this was calculated as part of the Net Zero Strategy). We currently only disclose on Transportation (Category 6) of Scope 3, and our Scope 3 emissions are under 40% of our total emissions. Our full relevant Scope 3 emissions across categories 1-15 will be reported next financial year (FY25).

We summarise our energy usage, associated emissions, energy efficiency actions and energy performance for the Group, under the government policy Streamlined Energy and Carbon Reporting ("SECR"), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. We do not currently have wider environmental targets. For example, we currently do not have targets for waste and water. Although, we aim to reduce our overall negative environmental impact, they are not currently material to the business.

We define the emissions discussed as Scope 1 as our direct emissions from sources we own; Scope 2 our indirect emissions from our purchased utilities and Scope 3 all other emissions resulting from our activities. The management of scopes 1 and 2 will enable us to manage all risks in Tables 6 and 7 whilst enabling us to take advantage of most opportunities in Table 8.

# Sustainability Reporting (continued)

## Metrics & Targets (continued)

The data below (including the Scope 1, 2 and 3 consumption and CO<sub>2</sub>e emissions data) was developed and calculated using the GHG Protocol –A Corporate Accounting and Reporting Standard, Greenhouse Gas Protocol –Scope 2 Guidance and Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance. We are currently only disclosing under Category 7 (employee commuting) as required by SECR. These calculations were conducted by, but not assured by, Inspired Energy.

**Table 9:** A table to show the Group's total energy consumption (kWh) for SECR.

Utility and Scope	FY24 Consumption (kWh)	FY22* Consumption (kWh)
<b>Scope 1 Total</b>	<b>322,523</b>	<b>90,796</b>
Gaseous and other fuels (Scope 1)	270,212	90,796
Transportation (Scope 1)	52,311	N/a**
<b>Scope 2 Total</b>	<b>89,569,095</b>	<b>18,916,332</b>
Grid-Supplied Electricity (Scope 2)	89,569,095	18,916,332
<b>Scope 3 Total</b>	<b>351,866</b>	<b>218,058</b>
Transportation (Scope 3)	351,866	218,058
<b>Total</b>	<b>90,243,484</b>	<b>19,225,186</b>

\*FY22 is the base year.

\*\*The base year of FY22 Consumption (kWh) did not have Scope 1 transport, as company cars were introduced after this baseline financial year.

We are currently off target from our original net zero target reductions against our base year of FY22 due to significant changes to our business scale and composition following the acquisitions across FY22 and FY23, particularly with respect to 4D Data Centres and Sungard, which have given us a significantly larger data centre portfolio. A revision of our metrics and targets will be conducted with the support of our third-party ESG consultants next financial year (FY25) to ensure they reflect the Group's current scale.

Redcentric's Scope 1 direct and Scope 3 indirect emissions (combustion of natural gas and transportation fuels) for this reporting year are 129.29 tCO<sub>2</sub>e, resulting from the direct combustion of 674,389 kWh of fuel. This represents a carbon reduction of 53.88% from last year ending March 2023 (Table 10). We use our energy consumption as a KPI in relation to our climate risks, for example, our risk 1.2 of Extreme Heat, which will increase our scope 1 and 2 emissions.

Scope 2 indirect emissions (purchased electricity) for this reporting year are 18,547.46 tCO<sub>2</sub>e, resulting from the consumption of 89,569,095 kWh of electricity purchased and consumed in day-to-day business operations. This represents a carbon increase of 42.95% from FY23 (Table 10) reflecting 12 months of emissions from the Sungard and 4D Data Centre sites (approx. 9 months in FY23).

# Sustainability Reporting (continued)

## Metrics & Targets (continued)

**Table 10:** A table to show the Group's total emissions over the past three financial years (SECR data) (tCO<sub>2</sub>e).

Utility and Scope	FY24 Emissions (tCO <sub>2</sub> e) Location-based	FY23 Emissions (tCO <sub>2</sub> e) restated* Location-based	FY22 Emissions (tCO <sub>2</sub> e) Location-based	% Change between FY24 and FY22
<b>Scope 1 Total</b>	<b>48.27</b>	<b>231.20 (191.40*)</b>	<b>23.27</b>	<b>107.4%</b>
Gaseous and other fuels (Scope 1)	35.78	191.40	23.27	53.8%
Transportation (Scope 1)	12.49	39.80 (0.0*)	N/a**	N/a**
<b>Scope 2 Total</b>	<b>18,547.46</b>	<b>12,974.92 (10,055.40*)</b>	<b>4,016.50</b>	<b>361.8%</b>
Grid-Supplied Electricity (Scope 2)	18,547.46	12,974.92 (10,055.40*)	4,016.50	361.8%
<b>Scope 3 Total</b>	<b>81.02</b>	<b>49.14 (88.94*)</b>	<b>50.86</b>	<b>59.3%</b>
Transportation (Scope 3)	81.02	49.14 (88.94*)	50.86	59.3%
<b>Total</b>	<b>18,676.75</b>	<b>13,255.27 (10,335.74*)</b>	<b>4,090.63</b>	<b>356.6%</b>

\* FY23 figures have been restated due to data improvements and a widening of scope cover. The amount in brackets is the original FY23 figure. See detail at end of Metrics and Targets section, page 50.

\*\*The base year of FY22 Consumption (kWh) did not have Scope 1 broken down by transport, as company cars were introduced after this financial year.

Fuels emissions (Scope 1) have decreased in FY24 by 79% compared to the previous reporting year. Redcentric reduced its oil usage in FY24 as a result of reduced testing of generators at its Data Centres, which is the key driver to oil usage.

Electricity (Scope 2) has increased by 42.95% compared to the last reporting year. The highest electricity consumption was observed at the London West and Woking sites. The key driver to increased Electricity usage year on year has been the full year effect of the Sungard and 4D Data Centres acquisition, for which there are only 9 months of usage in the prior year. As both acquisitions came with significant Data centre estates (including London West and Woking), they have resulted in significant increase in electricity usage compared to FY23.

Transport emissions have increased in FY24 by 5.14% compared to the previous reporting year. The observed increase in figures can be attributed to the cumulative effect of the acquisitions over the full year, as well as increased travel between Redcentric's larger data centre estate.



# Sustainability Reporting (continued)

## Metrics & Targets (continued)

**Table 11:** The Group's UK Location-based emissions intensity metric

Utility and Scope	FY24	FY23 restated*	% Change
All Scopes tCO <sub>2</sub> e per m <sup>2</sup>	0.6606	0.4689 (0.34*)	+40.9%

\* FY23 intensity metric has been restated; see detail below. The amount in brackets is the original FY23 figure.

Following a detailed investigation of Redcentric's portfolio, energy consumption and emissions, three additional sites have been included in the FY23 calculations and the electricity usage have been restated accordingly.

In addition, increased data knowledge has meant FY23's transport emissions (Scope 3) have been divided into Scope 1 and Scope 3, providing a fairer representation of fuel usage. As a result, both Scope 1 and Scope 3 figures have been restated for the previous period. Following a revision of the property portfolio area from 29,960m<sup>2</sup> to 28,271m<sup>2</sup> (primarily to exclude car parking space previously included) the reported intensity metric has been restated for FY23.

Energy efficiency measures ongoing and undertaken throughout FY24 in line with the Group's commitment to emission reductions are outlined below.

Redcentric upgraded its cooling system at its London West site in this reporting year. Three existing chillers were replaced with new ones with built-in dry air coolers. This upgrade has improved cooling efficiency, reduced energy consumption, and lowered cooling costs. The new chillers will provide better cooling performance while using less energy, resulting in a sustainable and cost-effective solution for Redcentric.

In this reporting year, Redcentric has procured an electric van. Choosing an electric van will lead to reduced emissions, combating air pollution and climate change, and promoting sustainability by decreasing reliance on fossil fuels and supporting renewable energy sources.

Measures prioritised for implementation in FY25 include the replacement of certain Uninterruptible Power Supply (UPS) systems across our Data Centre estate. The Group plan to move two Megavolt Amps (MVA) of capacity to a more efficient UPS system. In addition, we plan to consolidate data halls and associated power supply to reduce the number of UPSs in service, thereby reducing overall power consumption and emissions.

### Peter Brotherton

Chief Executive Officer

15 August 2024



“

One of the advantages of having worked with Redcentric for some years is that we have built up a great degree of mutual trust. Redcentric understands very clearly what it is we're trying to create here.

”

**NHS**

**King's College Hospital**  
NHS Foundation Trust

## Introduction to Governance

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

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

**Nick Bate**

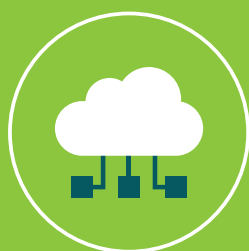
Chairman

15 August 2024

Helping organisations succeed with solutions that deliver **assured availability, smarter working** and **organisational agility**.



Connectivity



Cloud



Communication



Cyber Security

# Corporate Governance

Governance Principle	Application
<p><b>Principle 1</b> Establish a strategy and business model which promotes long-term value for shareholders</p>	<p>The Group's business model and strategy is discussed within the Chief Executive's Review on pages 9-11.</p> <p>Details of the key risks and challenges facing the Group and the high-level management of such are outlined on pages 32-33. The Group continues to operate a tiered hierarchy for risk management, with functional management of direct risks and consistent measures across all functions, and escalation of significant value risks, along with principal corporate risks, to the Group's corporate risk register. The corporate risk register is shared and refined with the Audit Committee and Board at key intervals in the year.</p>
<p><b>Principle 2</b> Seek to understand and meet shareholder needs and expectation</p>	<p>The Group continues to be committed to engaging with its shareholders to ensure that the strategy and business model and key events of the Company are clearly shared and understood. The Group also took the decision to appoint Oliver Scott, partner at Kestrel which is the Company's largest shareholder, as a Non-Executive Director (non-independent) of the Company in December 2023. The Board believes that the disclosures of this Report provide information necessary for shareholders to assess the Group's performance, business model and strategy. Hard copies of the Report are issued to all shareholders that have requested them and copies are also available on the Group's website. The Group's half year report is also available on the Group's website and the Group makes full use of the website to provide information to the shareholders and other interested parties.</p> <p>The Company uses regulatory announcements through RNS to ensure that important news is shared with all shareholder and potential shareholders in a clear and uniform way and often issues announcements beyond those it is obliged to make.</p> <p>The Executive Directors are also in regular contact with the Company's shareholders and brief the Board on feedback and any shareholder issues. In FY24, investor briefings and roadshows were held at regular intervals, including following announcement of the preliminary and interim results, and other ad-hoc one-to-one meetings with key investors and potential investors were also held through the year to discuss the Group's strategy and shareholder expectations, amongst other things.</p> <p>There is also regular dialogue with shareholders through the Company's corporate broker, Cavendish Capital Markets Limited ("Cavendish"), who keep the Board abreast of shareholder expectations and reactions and assist in setting up meetings with potential investors. Any reports from analysts that refer to the Company or cover the sector are circulated to the Board to support their understanding of the views of the investment community. Cavendish, as broker, provides feedback directly to the Board from shareholder meetings and events such as the investor days. An update on key shareholding changes and any relevant investor sentiment is also provided in each Board report and Board meeting.</p> <p>There is a dedicated investor relations contact email address by which shareholders or investors may contact the Company (<a href="mailto:investorrelations@redcentricplc.com">investorrelations@redcentricplc.com</a>) and the Company Secretary also deals with a number of written queries throughout the year along with the Company's registrar, Link Group.</p> <p>The Chair and other Non-Executive Directors will always make themselves available to shareholders. The AGM is a key opportunity for this, with shareholders being given the opportunity to raise questions during the AGM and the Board being available both prior to and after the meeting for further discussion with shareholders. We are pleased to once again be able to welcome shareholders in person to our AGM this year. To ensure that shareholders who are unable or would rather not attend the AGM have the ability to ask questions of the Board, the Board shall accept any questions relating to the business being dealt with at the AGM which are submitted by shareholders in advance to the Company. Any such questions should be sent to <a href="mailto:investorrelations@redcentricplc.com">investorrelations@redcentricplc.com</a> so as to be received by no later than 5 p.m. on Friday 20 September 2024 and the Company will publish questions and responses on the Group's website in advance of the AGM.</p> <p>The voting record at the Company's general meetings is monitored and we are pleased that all resolutions were passed by shareholders at the 2023 AGM.</p>

# Corporate Governance (continued)

Governance Principle	Application
<p><b>Principle 3</b> Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>The Board recognises that the long-term success of the business relies on a number of key stakeholders, as described on pages 28-30 and pages 34-37, including colleagues and customers and that engagement with these key stakeholders is fundamental to helping the Board make the best business decisions.</p> <p><b>COLLEAGUES</b></p> <p>Having the right colleagues in the right places continues to be critical to the success of the wider business. Our commitment to ensuring we maintain a high-performance culture driven by the engagement of our colleagues continued through FY24.</p> <p>We ran our first combined Group engagement survey in June 2023, with an incredibly strong engagement index of 73%, outperforming the general workforce engagement index of 65%. Whilst this is clearly something to celebrate, we are also committed to a continued focus on the engagement of our colleagues and improvement in their working environment and we are now delivering against both Group and local action plans to maintain and improve our engagement levels.</p> <p>FY23 was focused on the initial integration of our new colleagues, FY24 has been focused on the creation of a “one Redcentric” team and culture.</p> <p>In FY24 the Group has invested in improvements in our sites and physical working environment, creating spaces which enhance and support our colleagues’ productivity. We have maintained our approach to hybrid working which has given access to a broader and better national talent pool.</p> <p>Our colleagues have embraced the access to LinkedIn Learning launched in FY23, and the Group believes this solution is critical to both enabling our colleagues to improve their ways of working as well as to develop wider skills for the future.</p> <p>The physical, emotional and financial well-being of colleagues continued to be a key focus for the Group in FY24 and we expect this to continue into FY25. We have developed and enhanced our well-being strategy, maintaining multiple areas of support for colleagues, including access to an EAP scheme, mental health support, access to health schemes and discounts, shopping discounts and support and an ongoing programme of webinars across a variety of subjects.</p> <p>We have continued to invest in the future of the business and ensure we support young people into work through additional apprenticeship programmes, there are currently eighteen apprentices in the Group.</p> <p>In addition, we have seen a further increase in the volunteering days taken by our colleagues over the last 12 months as we continue with our commitment to giving back to our communities.</p> <p>As outlined on page 37, the Group has continued with its SAYE scheme, giving colleagues the opportunity to become personally invested in the Company. In FY24, the Company granted options over a total of 352,068 ordinary shares under this scheme.</p> <p><b>CUSTOMERS</b></p> <p>The Group’s extensive customer services, which are detailed on the Group’s website at <a href="https://www.redcentricplc.com/services/">https://www.redcentricplc.com/services/</a>, are core to the Group’s customer proposition and the Group is in regular dialogue with its existing and potential customers in order that it may understand and respond to their ongoing and future requirements. The Group also keeps abreast of customer needs and communicates its proposition to customers through regular customer surveys, monthly and quarterly service reviews and through its social media channels. In FY24 the Group introduced monthly customer newsletters to keep customers abreast of new services from the Group, general industry trends and to update on other areas of interest.</p> <p>The Board also considers its shareholders, suppliers and the environment to be key stakeholders and details of how the Group fosters relationships with these stakeholders and considers their needs are set out in the Section 172 statement on page 28-30 of this Report.</p>



## Corporate Governance (continued)

Governance Principle	Application
<p><b>Principle 4</b> Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>As set out in the Audit Committee Report on page 62, the Board is committed to ensuring that risk management forms part of the way the Group works and is embedded in the business, coordinated by the Chief Financial Officer, and with reporting on mitigating actions as well as the risks.</p> <p>The key risks and challenges facing the Group and the high-level management of such are outlined on pages 32-33. The Group continues to operate a tiered hierarchy for risk management, with functional management of direct risks and consistent measures across all functions, and escalation of significant value risks, along with principal corporate risks, to the Group's corporate risk register. The corporate risk register is shared and refined with the Audit Committee and Board at key intervals in the year, coordinated by the Chief Financial Officer and with reporting on mitigating actions for each risk.</p> <p>There continues to be close focus on emerging climate change related risks with the TCFD recommendations being integrated into the Group's risk management framework. These risks are managed by the Group's Sustainability Committee, which provides regular reports to the Board.</p> <p>The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The implementation and maintenance of the risk management and internal control systems are the responsibility of the Operating Board. However, the internal control system is designed to manage rather than eliminate risk and can therefore only provide reasonable and not absolute assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. Enhancements continue to be made to D365, the Group's ERP system, overseen by the Group's Chief Technology Officer, which shall further strengthen the control environment. Work has continued throughout the year to improve the control environment, both through the integration of the acquisitions completed in FY23 and continuous development and implementation of plans to address risks and control weaknesses. The principal elements of the Group's internal control system cover financial, operational and compliance controls and include:</p> <ol style="list-style-type: none"> <li>1. close management of the day-to-day activities of the Group by the Executive Directors;</li> <li>2. an established budgetary system with the preparation and approval of an annual budget by the Board and regular monitoring and review of performance against budget, forecasts and prior year;</li> <li>3. detailed monthly reporting to the Board, both at Group and at divisional level (including financial information, performance against budget and key performance and risk indicators) whereby the Executive Directors report on significant changes to the business and external marketplace to the extent they represent significant risk;</li> <li>4. an organisational structure that has clear reporting lines and delegated authorities, and which aligns with the divisional structure implemented at the start of FY23;</li> <li>5. management and monitoring of risk and performance at multiple levels throughout the Group; and</li> <li>6. continually improving finance, legal and assurance and compliance functions that maintain processes and systems to enhance the control environment, including the control of expenditure, authorisation limits, purchase ordering, sales order intake, contract review and approval.</li> </ol> <p>The Group also works hard to maintain a number of ISO accreditations it has achieved over a number of years, detailed at <a href="https://www.redcentricplc.com/about-us/accreditations-frameworks/">https://www.redcentricplc.com/about-us/accreditations-frameworks/</a>, and has a number of policies and procedures in place in order to fulfil the requirements of and maintain these accreditations.</p>

## Corporate Governance (continued)

Governance Principle	Application
<p><b>Principle 5</b> Maintain the Board as a well-functioning, balanced team led by the chair</p>	<p>The composition of the Board is detailed on page 60-61.</p> <p>The Board delegates specific responsibilities to the Board committees. The composition of the committees and how they discharge their responsibilities can be found on page 60-61.</p> <p>Part of the role of the Board’s Nomination Committee, chaired by Nick Bate, is to keep the composition of the Board under review as the Group’s business evolves. Following Helena Feltham’s resignation part way through FY24, the Company commenced a recruitment process for a new Non-Executive Director and chair of the Remuneration Committee, which was led by Nick Bate, and culminated in Michelle Senecal De Fonseca joining the Board as Non-Executive Director and Chair of the Company’s Remuneration Committee. Michelle brought with her considerable knowledge of the technology, telecoms, and cloud industries, as well as significant expertise in company remuneration policies and processes. The appointment of Oliver Scott as a Non-Executive Director (non-independent) during the year also further enhances the Group’s knowledge of the technology investment space and public markets.</p> <p>The Board is satisfied that it has an appropriate balance between independence and knowledge of the Group to enable it to discharge its duties and responsibilities effectively and has the appropriate frameworks in place to ensure that this is the case. All Directors are encouraged and expected to use their independent judgement and to challenge matters where required, both strategic and operational. Whilst Oliver Scott is not considered independent as a result of being a partner of Kestrel, one of Redcentric’s largest shareholders, the Board is satisfied that it has a suitable Board composition and governing principals to ensure appropriate levels of independence.</p> <p>The Executive Directors of the Company are employed on a full-time basis. Non-Executive Directors are required to devote such time to the Group’s affairs as necessary to discharge their duties and this may change from time to time. In addition to scheduled Board meetings, members are required to attend other ad hoc Board meetings, committee meetings, the AGM and any other business or general meetings as required. Board members are also required to consider all relevant papers before each meeting and to devote additional time in respect of preparation and ad hoc matters which may arise. Non-Executive Directors are required to obtain the agreement of the Chairman before accepting additional commitments that may affect the time that they are able to devote to their role as a Non-Executive Director. Further details of external appointments of the Board are included in their biographies on page 60-61.</p> <p>Details of the number of regular scheduled meetings of the Board and committees, together with the attendance record for each Board member, are set out on page 59.</p> <p>The Board recently concluded an assessment of its performance, and more detail is provided below against Principle 7.</p>

## Corporate Governance (continued)

Governance Principle	Application
<p><b>Principle 6</b> Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities</p>	<p>Directors' details and biographies are on page 60-61. The Board considers that, with the appointment of two new Non-Executive Directors during FY24, it has further developed its skills and experience, enabling it to execute its duties and responsibilities effectively and appropriately given the nature and size of the Group. Directors are responsible for ensuring their continuing professional development to maintain their effective skills and knowledge.</p> <p>As part of the Board performance assessment concluded in FY23, details of which are set out below, each Board member provided information on their individual skills and experience in areas relevant to the Group. This exercise indicated a high level of capability in most areas.</p> <p>The Board receives monthly reports on the Group's operational and financial performance as mentioned above, and formal agendas and reports are also circulated to the Board in advance of meetings. The Board has access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are adhered to. Directors are able to obtain further advice or seek clarity on issues raised in reports or at meetings from within the Group or from external sources. The Board also has a procedure whereby any Director may seek, through the Company Secretary, independent professional advice in furtherance of their duties, if necessary, at the Group's expense. Alan Aubrey was the Company's Senior Independent Director during FY24 and provided a sounding board for the Chairman and also served as an intermediary for the other Directors where required.</p> <p>External advisers or consultants have been engaged by the Board in respect of its remuneration policies and in relation to the appointment of Michelle Senecal De Fonseca to the Board.</p> <p>On appointment to the Board, new Directors receive a tailored induction pack and introductions to relevant personnel within the Group.</p>
<p><b>Principle 7</b> Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>The Board last carried out its periodic evaluation in FY23. This assessment was internally facilitated and comprised the following elements:</p> <ul style="list-style-type: none"> <li>- a questionnaire completed by every Board member covering Board and Committee structure, processes, agendas and priorities. Each Board member's assessment of their individual performance and feedback on each other was also sought. The questionnaire was based on ones designed by external consultants with considerable experience of Board reviews, but tailored to meet the specific circumstances of the Group;</li> <li>- completion of a skills matrix by each Board member, as referred to under Principle 6 above, to identify areas of expertise on the Board and additional areas that the Board could consider in relation to future appointments;</li> <li>- review by the Board of the consolidated outputs of the questionnaire and skills matrix, facilitated by the Company Secretary and Chairman.</li> </ul> <p>In addition to the appointment of a new a new Non-Executive Director and Chair of the Remuneration Committee, the processes identified a number of other actions which the Board believes will assist in improving Board performance and these will be implemented during the year, including:</p> <ul style="list-style-type: none"> <li>- timings of Board reports prior to meetings;</li> <li>- ongoing review of Board composition;</li> <li>- ongoing review and update of the Company's investor relations and communications policy;</li> <li>- review of the Group's ESG strategy and priorities;</li> <li>- ongoing review of succession planning.</li> </ul> <p>The next evaluation will be completed during the course of FY25.</p>

# Corporate Governance (continued)

Governance Principle	Application
<p><b>Principle 8</b> Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The Board aims to lead by example with respect to promoting a healthy corporate culture and ensuring that ethical values and behaviours are embedded in the business. The processes in place for decision making, which are documented in its Committee terms of reference, the Company’s share dealing code and the requirement for ongoing disclosure of interests, are all examples of processes which require high standards of behaviour from the Board.</p> <p>Employment policies adopted by the Group assist in embedding a culture of ethical behaviour and the values set out in its corporate social responsibility statement. Ongoing training on the Group’s compliance and anti-bribery policy and the Group’s Modern Slavery Act policy continue to reinforce the culture of ethical values and behaviours.</p> <p>The Group is pleased that in FY24 there has been an increase in charitable activity across the Group, with a number of volunteering challenges and fundraising events. This activity includes maintenance of the Trees For Life partnership, a partnership with Generation (which supports underprivileged young adults into the workplace), the Mission Christmas volunteering campaign, Easter Egg appeal and charity walks. Several local and national charities have been supported through the year by colleague fundraising, including Macmillan Cancer Support and The Children’s Heart Surgery Fund.</p> <p>All colleagues are granted a day’s paid volunteering, and the Group encourages colleagues to use this day to take part in local volunteering activity. We are delighted that FY24 has continued to see a strong take up of the Company volunteering day as our colleagues support their chosen causes.</p> <p>Further details of the Group’s charitable activity is set out on page 37.</p>
<p><b>Principle 9</b> Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board</p>	<p>The business and management of the Group are the collective responsibility of the Board. The Board meets at least eleven times a year at various Company locations in accordance with its scheduled meeting calendar and this schedule is supplemented with additional meetings as and when required and monthly Board reports circulated in respect of the previous month. The annual calendar includes presentations from all members of the Operating Board through the course of the year. The attendance by each Board member at meetings held in the year is shown in the table below.</p> <p>At each scheduled meeting, the Board considers and reviews the trading performance of the Group for the previous month together with additional topics based on the annual Board calendar. The Board and its Committees receive appropriate and timely information prior to each meeting in accordance with a reporting timetable agreed with the Board and Operating Board. A formal agenda is agreed with the Chair for each meeting and papers are distributed several days ahead of meetings taking place.</p> <p>The Board has a formal written schedule of matters reserved for its review and approval including approval of the annual budget, major capital expenditure and interim and annual results. All specific actions arising are documented following each Board and Committee meeting, followed up by the Executive Directors and Company Secretary and then reviewed at the next meeting.</p> <p><b>BOARD COMMITTEES</b></p> <p>The Board is supported by the Audit, Nomination and Remuneration Committees. A report on the composition, responsibilities and key activities of the Audit Committee are set out in the Audit Committee Report and in the Directors’ Remuneration Report for the Remuneration Committee.</p> <p>The Nomination Committee consists of Nick Bate (Chair), Alan Aubrey, Oliver Scott and Michelle Senecal De Fonseca (both of whom joined during the year). The Committee meets at least once a year and further as required, particularly as and when necessary to identify and nominate for approval by the Board, candidates for Board appointments. The Committee engages external consultants when appropriate to assist in the search for and selection of new Board members. During the year, the Nomination Committee was involved in the appointment of Michelle Senecal De Fonseca as Non-Executive Director and Chair of the Remuneration Committee.</p> <p>The Committee has terms of reference in place which have been formally approved by the Board and once a year it reviews the structure, size and composition (including diversity) of the Board, considers succession planning and reviews the leadership needs of the organisation.</p>

## Corporate Governance (continued)

Governance Principle	Application
<b>Principle 9 cont</b> Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	<b>OPERATING BOARD</b>  Authority for execution of approved policies, business plan and daily running of the business is delegated to the Executive Directors together with the Operating Board, which manages and monitors operational performance across the business and ensures effective decision-making. The Operating Board meets on a weekly basis and provides written reports to the Executive Directors on a monthly basis shortly before each Board meeting to ensure that the Board has the most up to date information possible.
<b>Principle 10</b> Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	<p>The Board communicates with its shareholders in a range of ways including through the Annual Report and Accounts, interim and full-year results announcements, further trading updates where required and appropriate, the AGM, investor roadshows and one-to-one meetings with major existing shareholders or potential new shareholders. The Group's website (<a href="http://www.redcentricplc.com">www.redcentricplc.com</a>), particularly the investor section of the site, also provides a range of corporate information for shareholders, investors and the public, including all Company announcements and presentations.</p> <p>Group performance information is communicated to colleagues, within the limitations imposed by the Company's public company disclosure obligations, in a number of ways, including regular colleague-wide email communications from the Executive Directors and Operating Board and monthly colleague briefing sessions. The Company also ran its latest colleague survey in FY24, the results and proposed outputs of which were reported to colleagues through the all colleague briefing sessions.</p> <p>Further details of how the Company maintains a dialogue with customers and suppliers, both being key stakeholders, are set out in the section 172 statement at pages 28-30 of this Report.</p>

### Board of Directors

The following table details the attendance of the Board members at regular scheduled Board and Committee meetings held during FY24 which they were eligible to attend.

Name	Position (at 31 March 2024)	Main Board		Audit Committee		Remuneration Committee		Nomination Committee	
		Total	Attended	Total	Attended	Total	Attended	Total	Attended
Nick Bate	Chair	13	13	2	2	5	5	2	2
Alan Aubrey	NED	13	13	2	2	5	5	2	2
Helena Feltham (Resigned 24 July 2023)	NED	4	4	-	-	4	4	2	2
Oliver Scott (Appointed 1 December 2023)	NED	4	4	-	-	-	-	-	-
Michelle Senecal De Fonseca (Appointed 13 February 2024)	NED	2	2	-	-	-	-	-	-
Peter Brotherton	CEO	13	13	-	-	-	-	-	-
David Senior	CFO	13	13	-	-	-	-	-	-



## Corporate Governance (continued)

### Non-Executive Directors



#### **Nick Bate, Independent Non-Executive Chairman of the Board**

**Appointment date:** 17 November 2021

**Committee membership:** Chair of the Nomination Committee, member of the Remuneration Committee and interim member of the Audit Committee

**Experience and external appointments:** Nick is an experienced chairman and Non-Executive Director of a portfolio of companies across the data, communications, software and financial services sectors, and most recently sat on the board of Directors for Nasstar plc for over six years. Nick has a proven track record in delivering successful growth through the application of his financial, commercial and operational skills and strong experience in corporate M&A transactions. Nick is a chartered management accountant.



#### **Alan Aubrey, Independent Non-Executive Director (and Senior Independent Director)**

**Appointment date:** 21 July 2022

**Committee membership:** Chair of the Audit Committee, interim Chair of the Remuneration Committee and a member of the Nomination Committee

**Experience and external appointments:** Alan is an experienced executive and Non-Executive Director, having been CEO of IP Group plc from 2006 to 2021 and having served as Non-Executive Chair of Ceres Power Holdings plc and Proactis Holdings plc and Non-Executive Director of Avacta Group plc. Alan currently serves as Non-Executive Chair of DeepMatter Group plc and OxCCU Limited, and on the board of Trellix Limited and Rio AI Limited. Alan has also formerly served on the boards of several large private companies, including Oxford Nanopore and Oxford Sciences Innovation plc, and served as a Non-Executive Director and Chair of the Audit Committee of the Department of Business, Innovation, University and Skills ('DIUS', now the Department of Business, Energy and Industrial Strategy, 'BEIS') of the UK government.



#### **Oliver Scott, Non-Executive Director (non-independent)**

**Appointment date:** 1 December 2023

**Committee membership:** Member of the Audit, Remuneration and Nomination Committees

**Experience and external appointments:** Oliver is a partner of Kestrel, the independent investment manager, which Oliver co-founded in 2009. Kestrel is Redcentric's largest shareholder. Prior to Oliver's co-founding of Kestrel, Oliver spent 20 years advising smaller quoted and unquoted companies, latterly as a Director of KBC Peel Hunt Corporate Finance. Oliver is currently a Non-Executive Director of Smoove PLC and K3 Business Technology PLC, and was previously a Non-Executive Director of Idox PLC, IQGeo Group PLC and KBC Advanced Technology PLC.

## Corporate Governance (continued)

### Non-Executive Directors (continued)



#### **Michelle Senecal De Fonseca, Independent Non-Executive Director**

**Appointment date:** 13 February 2024

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

**Experience and external appointments:** Michelle is an experienced executive and Non-Executive Director in the technology industry, having been managing Director for Vodafone's cloud and hosting services business, and serving as area vice president for sales and services for Northern Europe at Citrix before becoming its global vice president for strategic alliances. Michelle also currently serves as a Non-Executive Director on the boards of FDM Group, Alphawave IP Group PLC, ASU Global Foundation UK Limited and Women in Telecom & Technology.

### Executive Directors



#### **Peter Brotherton, Chief Executive Officer**

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

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



#### **David Senior, Chief Financial Officer**

**Appointment date:** 3 April 2020

**Experience and external appointments:** David served in the role of Finance Director of the Group since 2017, prior to his appointment as Chief Financial Officer. David is a chartered certified accountant with 20 years of experience in finance, including in several senior positions with Wolseley plc.

# Audit Committee Report

## Governance

At the beginning of the year the Audit Committee was chaired by Alan Aubrey and also contained Helena Feltham. Nick Bate replaced Helena Feltham on the Committee on an interim basis on 18 July 2023 in advance of her resignation from the Board on 24 July 2023. Following his appointment to the Board, Oliver Scott was appointed to the Audit Committee from 1 December 2023. In addition, following her appointment to the Board, Michelle Senecal de Fonseca was also appointed to the Audit Committee from 13 February 2024.

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

During the year, the Committee met twice. Attendance details for the regular scheduled meetings are provided on page 59.

## Key responsibilities

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

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

The Committee reports on all such matters to the Board.

## Internal control and risk management

The Audit Committee supports the Board in reviewing the risk management methodology and the effectiveness of internal control. The Audit Committee acknowledges that there is a requirement for continuous improvement to the control environment particularly following acquisitions completed by the Group in last few years and as such, as part of integration of acquired businesses, there are ongoing plans to address risk and control weaknesses identified. The Group continues to operate a tiered hierarchy for risk management, with functional management of direct risks and consistent measures across all functions, and escalation of significant value risks, along with principal corporate risks, to the Group's corporate risk register. The corporate risk register is shared and refined with the Audit Committee and Board at key intervals in the year, coordinated by the Chief Financial Officer and with reporting on mitigating actions for each risk.

In FY24, having identified climate change as a principal risk for the first time in FY22 and developed an initial assessment of this risk in FY23, there has been a continued focus on emerging climate change related risks with the TCFD recommendations being integrated into the Group's risk management framework. These risks are managed by the Group's Sustainability Committee, initially formed in FY23, which provides quarterly reports to the Board.

## External audit

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

# Audit Committee Report (continued)

## External audit (continued)

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

KPMG LLP were appointed as the Group's Auditor on 15 May 2017. This is the third year that Christopher Vaulks has been the engagement leader.

## Financial reporting

The Committee reviewed the full year results including the annual report and accounts, the preliminary results announcement and the report from the external auditor. In reviewing the statements and determining whether they were fair, balanced and understandable, the committee considered the work and recommendations of management as well as the report from the external auditor.

The Committee considered the appropriateness of accounting policies, including critical accounting judgements. To do this, the Committee reviewed the information provided by management and the views from the external auditors on the accounting treatments and judgements in the FY24 Financial Statements.

In the prior financial year there were significant reporting issues and judgements involving estimation uncertainty to be considered by the Committee primarily stemming from the Group's acquisitions made in FY23; Sungard Data Centres, Sungard Consulting and 4D Data Centres, including accounting for the two Sungard acquisitions as a single transaction and estimating the fair value of consideration transferred and the fair value of the intangible assets and property, plant and equipment acquired of those same business combinations.

In preparing the FY24 Financial Statements the key judgements that could have a material effect on the amounts recognised in these Financial Statements relate to going concern and presentation of exceptional items. Both are addressed below.

## Going concern

The Committee have reviewed the reports and financial models from management on the going concern assumptions when considering the FY24 results and the Group's financial performance and compliance with banking covenants for a period of at least 12 months from the date of approval of the Financial Statements. The Committee notes the extension of the Group's banking facilities by one year to April 2026, agreed with the lending parties in March 2024, as well as the agreed revision of certain measures within the banking covenants at June and September 2024 agreed in June 2024.

Internal financial projections and the results of stress testing the financial models were reviewed, with management applying severe but plausible downside scenarios (see Note 1.1 for further details). The Committee have assessed the factors considered both in the base cost financial models and in the severe but plausible downside scenarios and deemed them appropriate in the context of the current trading environment. The committee notes that the primary factor in the going concern assessment continues to be compliance with the banking covenants.

The Committee concluded that these Financial Statements are appropriate to be prepared on a going concern basis and are satisfied with the detail and transparency of the basis of preparation disclosure and the judgement involved in determining that there is no material uncertainty.

## Exceptional items

The Committee have reviewed management's analysis of exceptional items and the presentation of those within these Financial Statements in the context of the Group's accounting policy, as well as in the context of the definition of exceptional items for the purposes of the banking facility agreement. The committee is satisfied that the costs presented as exceptional items within these Financial Statements are appropriate under all definitions.

### Alan Aubrey

Chair of the Audit Committee  
15 August 2024





“

We value the continuity of our relationship with Redcentric. We know we can trust the team at Redcentric and that they will do the right thing for Heathrow.

”

**Heathrow**



# Directors' Remuneration Report – Annual Statement

## Introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2024, my first as Chair of the Remuneration Committee. As the Company is listed on the Alternative Investment Market ("AIM"), we are required to comply with AIM Rule 19 in respect of remuneration disclosures. However, we also provide additional voluntary disclosures in line with AIM best practice, to enable shareholders to better understand and consider our remuneration arrangements. This report is divided into three sections being:

- The **Annual Statement**, which summarises the Committee and its work.
- The Directors' **Remuneration Policy**, which summarises the Company's Remuneration Policy; and
- The **Annual Report on Remuneration**, which discloses how the Remuneration Policy was implemented in FY24 in detail and how the Policy will operate for FY25.

As a Committee, we recognise the need to foster good relations with our shareholders and encourage open dialogue. As such, I am available for discussion with institutional investors concerning the Company's approach to remuneration at any time. We trust you will find this Report to be informative and look forward to receiving your support at our forthcoming AGM.

### Michelle Senecal de Fonseca

Chair of the Remuneration Committee  
15 August 2024

## Annual Statement

### Committee members

At the beginning of the year the Remuneration Committee was chaired by Helena Feltham as independent Non-Executive Director. Alan Aubrey was appointed interim chair of the Remuneration Committee from 18 July 2023 (following Helena's resignation from the Board) to 13 February 2024 (following the appointment of Michelle Senecal de Fonseca to the Board as independent Non-Executive Director and chair of the Remuneration Committee). The Committee meets at least twice a year and at other times during the year as agreed between the members of the Committee. The attendance record for the meetings held in the year is included on page 59.

### Committee responsibilities

The Group is committed to maximising shareholder value over time. Each year the Remuneration Committee reviews the incentive and reward packages for the Chairman, Executive Directors and senior executives to ensure that they are aligned with the Group's strategic objectives and financial performance, and are appropriate to attract, retain and motivate management behaviour in support of the Company's culture and beliefs and the creation of shareholder value. The Committee has formal terms of reference which can be found in the investor section of the Group's website. The Board (excluding the Non-Executive Directors) sets the annual base fees payable to the Non-Executive Directors and they do not receive any additional benefits, nor are they eligible to participate in any pension or incentive arrangements.

### Advisors to the Committee

FIT Remuneration Consultants LLP continues to provide independent advice to the Remuneration Committee in respect of remuneration quantum and structure and developments in governance and best practice more generally. FIT is a member and signatory of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK, details of which can be found at [www.remunerationconsultantsgroup.com](http://www.remunerationconsultantsgroup.com).

# Directors' Remuneration Report – Annual Statement

(continued)

## Directors' Remuneration Policy

This section sets out the Directors' Remuneration Policy ("Policy"). In order to deliver the Group's strategy, the primary objectives of our Policy are:

- to operate a transparent, simple and effective remuneration structure which encourages the delivery of Group targets in accordance with our business plan and strategy;
- to attract, motivate and retain the best people of the highest calibre by providing competitive and appropriate short- and long-term variable pay which is dependent upon challenging performance conditions; and
- to promote the Company's culture and beliefs and promote the long-term success of the Group and ensure that our policy is aligned with the interests of, and feedback from, our shareholders.

## Summary of Directors' Remuneration Policy

Component	Purpose and link to strategy	Operation	Maximum	Performance
<b>Base salary</b>	To provide a competitive base salary to attract, motivate and retain Directors with the experience and capabilities to achieve the strategic aims.	Reviewed annually after considering pay levels at comparably sized listed companies and sector peers, the performance, role and responsibility of each Director, market conditions, the Company's performance and the level of pay across the Group as a whole.	n/a	n/a
<b>Benefits</b>	To provide market-competitive benefits package.	Life assurance cover of four times salary, private medical insurance for themselves, their spouse and their children.	n/a	n/a
<b>Pension</b>	To provide an appropriate level of retirement benefit.	Workforce aligned pension which may be paid as a pension and/or cash allowance if annual or lifetime limits are met.	Currently 5% of salary	n/a
<b>Annual bonus</b>	To reward performance against annual targets which support the strategic direction of Group.	Cash bonus of up to 60% based on financial and strategic targets and a share bonus of up to 40% also based on financial and strategic targets, paid in the event of exceptional performance against targets.	100% of salary	Sliding scale financial and strategic targets
<b>Performance-related bonus</b>	To drive and reward the achievement of longer-term objectives and align management with shareholders.	Special bonus scheme which will pay out in the event of a change of control, subject to the discretion of the Remuneration Committee.	n/a	Metrics will be linked to financial and/or share price and/or strategic performance
<b>LTIP</b>	To drive and reward the achievement of longer-term objectives and align management with shareholders.	Conditional shares and/or nil cost or nominal cost share options. Vesting is normally subject to the achievement of challenging performance conditions, normally over a period of three years. Dividend equivalents may be awarded to the extent awards vest. Awards may be subject to malus/clawback provisions at the discretion of the Committee.	200% of salary	Metrics will be linked to financial and/or share price and/or strategic performance
<b>All-employee share awards</b>	To align management with employees and shareholders.	Awards will be consistent with prevailing HMRC tax favoured all-employee share plans.	Prevailing HMRC limits	n/a
<b>Non-Executive Directors</b>	The Committee determines the Chairman's fee. Fees for the Non-Executive Directors are agreed by the Chairman and Chief Executive.	Fees are reviewed annually taking into account the level of responsibility and relevant experience. Fees may include a basic fee and additional fees for further responsibilities. Fees are normally paid in cash. Travel and other reasonable expenses incurred in the course of performing their duties may be reimbursed.	n/a	n/a

# Directors' Remuneration Report – Annual Statement

(continued)

## Service contracts

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

	Date of appointment	Contractual notice period (months)	Length of service contract at 31 March 2024
<b>Executive Directors</b>			
Peter Brotherton	28 November 2016	6	7 years 4 months
David Senior	3 April 2020	6	3 years 11 months
<b>Non-Executive Directors</b>			
Nick Bate	17 November 2021	3	2 year 4 months
Alan Aubrey	21 July 2022	3	1 year 8 months
Oliver Scott	1 December 2023	3	4 months
Michelle Senecal de Fonseca	13 February 2024	3	1 month

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

## Implementation of the Remuneration Policy for the year ended 31 March 2024

- The salaries for the CEO and CFO were increased to £383,993 and £220,000 respectively from the 1 July 2023;
- Executive Directors received a workforce aligned pension at 5% of salary;
- Following an assessment of personal performance against strategic targets and also performance against the Group's overall strategic and integration objectives, the CEO and CFO received cash annual bonus awards of 30% and 34.5% of salary respectively post year end.
- Long Term Incentive Plan ("LTIP") awards were granted to the CEO and CFO in September 2023 over shares with a value equal to 200% of salary with the first 100% of salary based on absolute Total Shareholder Return ("TSR") between 5% and 10% p.a. and the additional 100% of salary based on stretch absolute TSR targets of 10% to 15% p.a.

## Implementation of the Remuneration Policy for the year ending 31 March 2025

- The CEO will receive a revised salary of £384,000 and the CFO will receive a revised salary of £235,000, both with effect from 01 July 2024;
- Pension provision will continue at 5% of salary in line with the workforce provision;
- Annual cash bonus potential will continue to be capped at 50% of salary for FY24. 60% of the bonus will be payable against financial targets and 40% will be based on strategic targets. A share bonus of up to 50% of salary will be payable in the event of exceptional performance against financial and strategic targets; and
- 2024 LTIP awards will be granted to Executive Directors in line with the annual grant policy over shares with a value equal to 200% of salary with the first 100% of the award based 50% on Total Shareholder Return ("TSR") between 5% and 10% p.a. and 50% on an adjusted EPS achieved within range of 5.0p and 7.0p the second 100% based 50% on stretch absolute TSR targets of 10% to 15% p.a. and 50% on an adjusted EPS of 9.0p or greater. Details of the awards will be set out in the RNS issued immediately following the grant date.

# Directors' Remuneration Report – Annual Statement

(continued)

## Annual Report on Remuneration

### Single total figure of remuneration for Directors

The remuneration of the Directors in respect of FY24, with prior year comparatives, was as follows:

	Year	Base Salary / Fees £000	Annual Bonus £000	Pension £000	Share- based payments £000	Total £000
<b>Executive</b>						
Peter Brotherton	<b>FY24</b>	<b>382</b>	<b>114</b>	<b>43</b>	-	<b>539</b>
	FY23	368	54	16	393 <sup>2</sup>	831
David Senior	<b>FY24</b>	<b>215</b>	<b>74</b>	<b>11</b>	-	<b>300</b>
	FY23	200	24	11	104 <sup>3</sup>	339
<b>Non-Executive Directors</b>						
Nick Bate	<b>FY24</b>	<b>85</b>	-	-	-	<b>85</b>
	FY23	85	-	-	-	85
Alan Aubrey	<b>FY24</b>	<b>50</b>	-	-	-	<b>50</b>
	FY23	38	-	-	-	38
Oliver Scott <i>(appointed 1 December 2023)</i>	<b>FY24</b>	<b>8</b>	-	-	-	<b>8</b>
	FY23	-	-	-	-	-
Michelle Senecal de Fonseca <i>(appointed 13 February 2024)</i>	<b>FY24</b>	<b>7</b>	-	-	-	<b>7</b>
	FY23	-	-	-	-	-
<b>Former Directors</b>						
Helena Feltham <i>(resigned 24 July 2023)</i>	<b>FY24</b>	<b>16</b>	-	-	-	<b>16</b>
	FY23	50	-	-	-	50
Jon Kempster <i>(resigned 21 July 2022)</i>	<b>FY24</b>	-	-	-	-	-
	FY23	25	-	-	-	25
<b>Total</b>	<b>FY24</b>	<b>789</b>	<b>188</b>	<b>54</b>	-	<b>1,031</b>
	FY23	741	78	27	497	1,343

- The annual bonus plan for FY24 was based on sliding scale Group adjusted EBITDA (40%), Group Net Debt (20%) and Strategic targets (40%). Following an assessment of personal performance against strategic targets and also performance against the Group's overall strategic and integration objectives, the CEO and CFO received cash annual bonus awards of 30% and 34.5% of salary respectively. As the awards are below the 50% of salary deferral threshold, the bonus awards were paid in cash.
- On 14 September 2022, Peter Brotherton exercised options over 379,267 ordinary shares of 0.1p each at a price of 103.5 pence per ordinary share resulting in a pre-tax gain of £392,541.
- On 14 September 2022, David Senior exercised options over 100,000 ordinary shares of 0.1p each at a price of 103.5 pence per ordinary share resulting in a pre-tax gain of £103,500.

# Directors' Remuneration Report – Annual Statement

## Executive Director's share awards in the Company

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

		Exercise price (p)	Balance, 31 March 2023 (number)	Granted (number)	Cancelled / lapsed (number)	Balance, 31 March 2024 (number)
<b>Peter Brotherton</b>						
	(a)	0.1	242,915	-	(242,915)	-
	(b)	0.1	554,326	-	-	<b>554,326</b>
	(c)	99.9	18,023	-	-	<b>18,023</b>
	(e)	0.1	621,250	-	-	<b>621,250</b>
	(f)	0.1	-	605,620	-	<b>605,620</b>
			<b>1,436,514</b>	<b>605,620</b>	<b>(242,915)</b>	<b>1,799,219</b>
<b>David Senior</b>						
	(a)	0.1	129,555	-	(129,555)	-
	(b)	0.1	312,296	-	-	<b>312,296</b>
	(d)	96.1	18,736	-	-	<b>18,736</b>
	(e)	0.1	333,334	-	-	<b>333,334</b>
	(f)	0.1	-	347,030	-	<b>347,030</b>
			<b>793,921</b>	<b>347,030</b>	<b>(129,555)</b>	<b>1,011,396</b>

(a) Granted on 8 December 2020 under the Company's Long Term Incentive Plan ("LTIP"). These options failed to vest following the publication of the Company's results for the year ended 31 March 2023 due to the vesting condition over Company share price growth not being met.

(b) Granted on 18 November 2021 under the Company's LTIP. The options will vest three years from grant subject to absolute Total Shareholder Return (TSR) Targets. For awards up to 100% of salary, 25% will vest for TSR of 5% p.a. increasing pro-rata to 100% vesting for TSR of 10% p.a. For awards between 100% and 200% of salary, 0% will vest for TSR of 10% p.a. increasing pro-rata to 100% vesting for TSR of 15% p.a.

(c) Granted on 23 December 2021 under the HMRC-approved Save-As-You-Earn ("SAYE") option plan under which employees contribute a monthly amount which is saved over three years to buy shares. The options are exercisable from 1 February 2025. There are no performance conditions.

(d) Granted on 26 August 2022 under the HMRC-approved Save-As-You-Earn ("SAYE") option plan under which employees contribute a monthly amount which is saved over three years to buy shares. The options are exercisable from 1 October 2025. There are no performance conditions.

(e) Granted on 12 October 2022 under the Company's LTIP. The options will vest three years from grant subject to absolute Total Shareholder Return (TSR) Targets. For awards up to 100% of salary, 25% will vest for TSR of 5% p.a. increasing pro-rata to 100% vesting for TSR of 10% p.a. For awards between 100% and 200% of salary, 0% will vest for TSR of 10% p.a. increasing pro-rata to 100% vesting for TSR of 15% p.a.

(f) Granted on 19 September 2023 under the Company's LTIP. The options will vest three years from grant subject to absolute Total Shareholder Return (TSR) Targets. For awards up to 100% of salary, 25% will vest for TSR of 5% p.a. increasing pro-rata to 100% vesting for TSR of 10% p.a. For awards between 100% and 200% of salary, 0% will vest for TSR of 10% p.a. increasing pro-rata to 100% vesting for TSR of 15% p.a.

On 4 March 2024 the Executive Directors were awarded a cash-settled share-share based bonus scheme which will pay out in the event of a change of control of the Company within 12 months, subject to the discretion of the Remuneration Committee. A Stochastic model has been used to measure the fair value of this cash-settled share-based payment transaction. No expense has been recognised at the year end as the fair value of the scheme (£6k impact for FY24) is not considered material.



## Directors' Remuneration Report – Annual Statement (continued)

### Directors' interests in shares

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

	Interests in ordinary shares at 31 March 2024 (number)	Interests in ordinary shares at 31 March 2023 (number)	Interests in share-based incentive options at 31 March 2024 (number)	Interests in share-based incentive options at 31 March 2023 (number)
<b>Executive</b>				
Peter Brotherton	452,479	437,136	1,799,219	1,436,514
David Senior	113,090	106,550	1,011,396	793,921
<b>Non-Executive</b>				
Nick Bate	49,009	40,000	-	-
Alan Aubrey	76,407	40,650	-	-
Oliver Scott <sup>1</sup>	-	-	-	-
Michelle Senecal de Fonseca	-	-	-	-

<sup>1</sup>Oliver Scott is a beneficial owner of Kestrel Opportunities, who held 16,715,305 ordinary shares in the Company as at 31 March 2024.

### Relative importance of spend on pay

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

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000	Change %
Employee expenditure	38,399	34,479	11.4%
Distributions to shareholders	3,752	5,593	(32.9%)
Average number of employees	659	588	12.1%
Revenue	163,150	141,674	15.2%
Adjusted EBITDA	28,316	24,492	15.6%

### Share price

The market price of the Company's shares on 31 March 2024 was 127.25p per share. The highest and lowest market prices during the FY24 were 133.76p and 101.41p respectively.

#### Michelle Senecal de Fonseca

Chair of the Remuneration Committee  
15 August 2024

# Directors' Report

The Directors presents their annual report together with the audited Financial Statements for FY24.

## Principal activity

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

The Strategic Report on pages 5-50 contains a review of the business, future developments and the principal risks and uncertainties.

## Dividends

A final dividend payment of 2.4p per share is expected to be paid on 24 January 2025, subject to approval at the Company's AGM, to shareholders on the register at the close of business on 13 December 2024 with shares going ex-dividend on 12 December 2024. The last day for Dividend Reinvestment Plan elections is 2 January 2025.

## Substantial shareholders

As at 31 March 2024 and 31 July 2024 (being the latest practicable date before the publication of this report) the Company had been notified of the following significant interests in 3% or more in its ordinary shares:

	31 March 2024 (number)	31 March 2024 %	31 July 2024 (number)	31 July 2024 %
Kestrel Investment Partners	32,710,733	20.67%	32,707,577	20.67%
Lombard Odier Asset Management	25,494,432	16.11%	25,071,779	15.84%
ND Capital Investments Ltd	25,320,355	16.00%	25,531,554	16.13%
Slater Investments	18,278,131	11.55%	18,280,768	11.55%
Harwood Capital	17,502,695	11.06%	17,480,000	11.04%
Chelverton Asset Management	5,807,856	3.67%	5,610,000	3.54%

As of 31 July 2024, the Company's issued share capital is 158,884,919 ordinary shares.

## Directors and their interests

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

- Nick Bate
- Alan Aubrey
- Helena Feltham (resigned 24 July 2023)
- Oliver Scott (appointed 1 December 2023)
- Michelle Senecal De Fonseca (appointed 13 February 2024)
- Peter Brotherton
- David Senior

Details of Directors' remuneration, service agreements and interests in the share capital of the Company are provided in the Directors' Remuneration Report on pages 65-70. Details of the Directors' contracts, remuneration and share options granted are also set out in the Annual report on remuneration, on pages 66-69.

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

## Directors' Report (continued)

### Directors' indemnities and liability insurance

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

### Employees

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

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

For further information on our colleagues see pages 34-37 of our Corporate Responsibility statement.

### Going concern

The Group's activities and an outline of the developments taking place in relation to its services and marketplace are considered in the Strategic Report on pages 5-50.

A commentary on the revenue, trading results and cash flows is provided in the financial review on pages 13-20.

Note 3 to the Financial Statements sets out the Group's financial risks. The Group is forecast to be profitable and is cash generative with high and continuing levels of recurring revenue and high levels of cash conversion expected for the foreseeable future.

The Consolidated Financial Statements have been prepared and approved by the Directors in accordance with applicable law and UK-adopted international accounting standards.

The Financial Statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

The Group and Company meets their day to day working capital requirements from the Group's operational cash flows, a Revolving Credit Facility, Asset Financing Facility and leasing arrangements (see Note 24). The Revolving Credit Facility is an £80.0m facility (net £40.0m utilised at 31 March 2024), while the Asset Financing Facility is a £7.0m facility (increased to £10.0m in August 2024). £3.6m utilised at 31 March 2024. In March 2024 the Revolving Credit Facility and Asset Financing Facility were extended at the Group's request, with a new maturity date of 26 April 2026.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these Financial Statements (the "going concern assessment period") which indicate that, taking account of reasonably possible downsides on the operations and its financial resources, the Group and the Company will have sufficient funds to meet their liabilities as they fall due for that period, and will comply with debt covenants over that period.

The Group is required to comply with financial debt covenants for adjusted leverage (net debt to adjusted EBITDA), cashflow cover (adjusted cashflow to debt service, where adjusted cashflow is defined as adjusted EBITDA less tax paid, dividend payments, IFRS16 lease repayments and cash capital expenditure) and provisions relating to guarantor coverage such that guarantors must exceed a prescribed threshold of the Group's gross assets, revenue and adjusted EBITDA. The guarantors are Redcentric plc and Redcentric Solutions Limited. Covenants are tested quarterly each year.

During FY24 the Group has continued to invest heavily in integration and efficiency programmes which are expected to deliver significant benefits to the business from FY25 onward. In addition, a significant proportion of the Group's focus has been on the Harrogate data centre relocation in favour of delivering other projects including the further consolidation of cloud platforms. In anticipation of the effect of these factors on continued covenant compliance, particularly as the covenant tests are on a rolling 12-month basis, in June 2024 the Directors reached agreement with the banking syndicate to apply less stringent debt covenant requirements for the quarters ended June and September 2024, despite not anticipating a breach at these quarters. The purpose of this amendment was to provide additional headroom on covenants in the event of a severe but plausible downside scenario, and to provide additional

# Directors' Report

## Going concern (continued)

flexibility around the timing and financing of capital expenditure for new customer projects. There were no other material changes to the terms and conditions of the borrowings because of this amendment. All requirements within the borrowings facility agreement and subsequent amendments have been adhered to in the respective quarters, with the banking syndicate further agreeing not to apply a clause relating to the retrospective inclusion of the January 2024 dividend into the December 2023 covenant calculation. This clause is no longer applicable from April 2024 onwards.

The Directors' forecasts in respect of the going concern assessment period have been built from the detailed Board approved budget for the year ending 31 March 2025, and a forecast for the year ending 31 March 2026, and the going concern assessment takes account of the debt covenant requirements.

The forecasts include a number of assumptions in relation to order intake, renewal and churn rates, EBITDA margin improvements, the full year impact of energy efficiency investment and improved electricity pricing (a significant proportion of which is locked in through FY25 at forward rates favourable to those achieved in FY24). Revenue assumptions reflect levels achieved in FY24 plus organic growth, and have been adjusted for the enlarged customer base and additional products following the acquisitions made in FY23.

Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment continues to present several challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to, achieving forecast levels of new order intake, the impact on customer confidence as a result of general economic conditions, inflationary cost pressures including unexpected one-off cost impacts, and the efficacy of energy efficiency measures under a prolonged period of hot weather. In making their going concern assessment in light of these risks, the Directors have also modelled a combined severe but plausible downside scenario when preparing the forecasts.

The downside scenario assumes significant economic downturn over FY25 and into FY26, primarily impacting recurring new order intake and non-recurring product and services revenues as the Directors note the uncertainties surrounding the timing and extent of non-recurring revenue from quarter to quarter. In this scenario, recurring monthly order intake is forecast to reduce by 30% compared to base case budget and product and services non-recurring revenues reduce by 20% compared to base case budget incorporating potential supply chain issues, reduced investment from our existing customer base and failure to

expand market share as planned. In addition, the downside scenario also assumes the new business obtained does not achieve the gross margin planned, with a 10% reduction to the planned gross margin achievement across all new recurring revenue modelled.

An additional factor that can impact the revenue and gross margin assumptions in the going concern assessment period is the level of customer cancellations (of an individual service or product). Whilst known, near-term customer cancellations have been modelled, coupled with an underlying level of customer cancellations based on historic trends, there remains a risk that unexpected, medium to large customer cancellations could occur in the near-term. The Group is protected contractually to a large extent with notice periods and cancellation clauses, however a residual risk remains. An additional level of customer cancellations has therefore been modelled each quarter in the downside scenario to reflect this risk.

Following the energy efficiency measures delivered in FY24, electricity volumes are significantly more predictable than they have been historically. In addition, power prices are 90% fixed (at current volumes) through to September 2025. However there remains a risk that periods of sustained higher summer temperatures, considering the impacts of wider climate-related factors, could increase energy usage at sites where new efficiency measures have been introduced, but not tested, at these prolonged higher temperatures. A 5% increase in forecasted usage has been modelled across a period of three months over the summer to reflect this risk.

With respect to the remaining operating cost base, whilst the Board approved forecast contains detailed, itemised cost forecasts (including inflation), there remains a risk inherent within the industry related to the complex cost base and significant volumes of services procured that unexpected costs and/or unexpected cost increases can at times occur. In the severe but plausible downside scenario, an additional quarterly cost shock has been modelled to reflect this risk. In preparing the cash flow forecasts and analysis relating to debt covenant compliance through the going concern assessment period, the Directors have considered the nature of exceptional items and are satisfied that such items meet the Group's accounting policy and borrowings facility agreement definition of exceptional items.

Given external market analysis indicates an expectation that interest rates have stabilised, no sensitivity on interest rates has been included in the plausible downside scenario. Both the base case and severe but plausible downside forecast scenarios continue to model the payment of dividends, including a final FY24 dividend payment in January 2025. The Directors will continue to monitor the impact and timing of dividend payments in the normal course of their quarterly liquidity and debt covenant compliance monitoring.

## Directors' Report (continued)

### Going concern (continued)

In addition to the base case and severe but plausible downside forecasts, the Directors have modelled an overlay scenario in anticipation of an EBITDA enhancing, significant new customer contract. This contract would necessitate certain upfront capital expenditure, with revenues following later in the forecast period when services commence. As a result, in August 2024 agreement was reached with the Group's lenders to increase the Asset Financing Facility limit to £10.0m. The overlay scenario models the impacts of this potential new contract into the base case and severe but plausible downside forecasts, including the timing and financing of related capital expenditure, and the resulting impacts on debt covenant compliance.

Under the downside scenario modelled, the forecasts demonstrate that the Group is expected to maintain sufficient liquidity and will continue to comply with the relevant debt covenants without management taking mitigating actions. While not modelled, mitigating actions which are within the Group's control would also be available in the event of a severe downside. Such actions include, but are not limited to, the rephrasing of discretionary capital expenditure, further usage of the Asset Financing Facility beyond that forecast currently (headroom at the date of approval of these Financial Statements is £3.1m) and further management of discretionary cost areas such as marketing, training and travel.

The Directors therefore remain confident that the Group and Company have adequate resources to continue to meet their liabilities as and when they fall due within the period of at least 12 months from the date of this Report.

### Purchase of own shares

The authority to make purchases of the Company's shares on its behalf was given by resolution of the shareholders at the Company's 2019 and 2020 AGM, and in September 2019 the Company announced that it had approved a share buyback programme of the Company's ordinary shares for an aggregate purchase price of up to £2m (the "Programme"). The Company announced shortly after the end of FY20 that the Programme would be temporarily halted until such time as the outlook around COVID-19 became more certain and in November 2020, in the announcement of its results for the six months to 30 September 2020, the Company announced that it would reinstate the Programme. During FY22 the Company recommenced the Programme and obtained approval from the Board to increase the aggregate consideration payable under the Programme to £5m in total, resulting in 2,160,500 shares repurchased and a closing balance of 2,170,203

shares at the end of FY22. No further purchases were made in FY23 and FY24, though several share options exercised during the year were settled using treasury shares meaning the number of shares held in treasury at 31 March 2024 was 632,703 (31 March 2023: 728,722).

### Annual General Meeting

The 2024 AGM will be held at the offices of Cavendish Capital Markets Limited at 1 Bartholomew Close, London EC1A 7BL at 11:00 on 26 September 2024. The notice convening the AGM and what shareholders should do to register their intention to attend and/or vote by proxy are contained in a separate circular to shareholders and on the Group's website at <https://www.redcentricplc.com/investors/shareholder-documents/>.

### Corporate governance

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

The Group's financial risk management objectives and policies are described in Note 3 to the Financial Statements.

### Disclosure of information to the auditor

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

### Subsequent events

On the 14 August 2024 a modification to the bank facilities was agreed to increase the Asset Financing Facility to £10.0m to ensure adequate credit availability for future investment relating to new customer contracts. All other elements of the facility remained the same. There have been no other significant events between the balance sheet date and the date of approval of these accounts.

By order of the Board

**David Senior**  
Company Secretary  
15 August 2024

## Statement of Directors' Responsibilities

The Directors are responsible for preparing this Report and the Group and Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company Financial Statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards and applicable law and they have elected to prepare the parent Company Financial Statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

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

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

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

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

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

By order of the Board

**David Senior**  
Company Secretary  
15 August 2024





# Independent auditor’s report

## to the members of Redcentric plc

### 1. Our opinion is unmodified

We have audited the financial statements of Redcentric plc (“the Company”) for the year ended 31 March 2024 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, Company Balance Sheet, Company Statement of Changes in Equity and the related notes, including the accounting policies in note 1 to both the consolidated financial statements and Company financial statements.

#### In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the parent Company’s affairs as at 31 March 2024 and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

Overview		
<b>Materiality:</b>	£1.4m (2023: £1.1m)	
Group financial statements as a whole	0.86% (2023: 0.78%) of Group Revenue	
<b>Coverage</b>	75% (2023: 96%) of Group loss before tax	
<b>Key audit matters</b>		<b>vs 2023</b>
<b>Recurring risks</b>	Revenue Recognition	◀▶
	Going concern	▼

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

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

	The risk	Our response
<p><b>Recurring revenue recognition</b></p> <p>(£149.1 million; 2023: £128.5 million)</p> <p><i>Refer to pages 89 - 91 (accounting policy) and note 6 (financial disclosures)</i></p>	<p><b>Revenue recognition cut-off</b></p> <p>We identified potential incentives and pressures on the Directors relating to investor expectations, compliance with debt covenants and the achievement of remuneration and other strategic business targets which increase the risk of fraudulent revenue recognition, and in particular the overstatement of recurring revenues in the period.</p> <p>Results for any given financial reporting period are expected to be affected by the revenue recognition policies in place, particularly for the Group’s recurring revenue stream which represents 91.4% of the Group’s total revenues, and the accurate deferral of related amounts at the balance sheet date. There is a risk that amounts recorded in recurring revenue could be subject to manipulation, particularly through the inappropriate recognition and deferral of amounts at the year end. There are manual aspects to the recurring revenue recognition process, which provide an opportunity for fraudulent revenue recognition over the cut-off period.</p> <p>There is a resulting risk that recurring revenue transactions in the one month period before the balance sheet date could be fraudulently recorded, such that revenue is not recognised in line with the Group’s accounting policies, and that related deferred income amounts recorded at the balance sheet date are incomplete.</p>	<p>We performed the detailed tests below rather than seeking to rely on any of the Group’s controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included:</p> <p>— <b>Tests of detail:</b></p> <ul style="list-style-type: none"> <li>• for a sample of revenue transactions recognised in the one month period prior to the balance sheet date, we assessed whether revenue was recognised in the appropriate period by comparing to supporting documentation such as invoices, contracts and customer correspondence, and assessed whether such revenue was recognised in line with the Group’s accounting policies;</li> <li>• for a sample of customer balances, we assessed the appropriateness of deferred income at the year-end through inspection of contracts, invoices, customer correspondence and recalculations;</li> <li>• we assessed the extent to which credit notes raised in the two month period after the balance sheet date may relate to revenue recognised in the year, comparing these amounts to the Group’s credit note and inaccurate billing provisions, and assessing if this was indicative of inappropriate revenue recognition;</li> <li>• we tested year-end bank reconciliations, obtained bank confirmations as audit evidence over the Group’s cash balance, and evaluated the appropriateness of any significant reconciling items as such items may be indicative of inappropriate revenue recognition; and</li> <li>• for unexpected revenue journal postings (where the opposite side of the journal was posted to an account which would not be expected based on our understanding of business processes and transaction flows), and unexpected journal postings by the executive directors and senior management, we assessed the nature of the posting and obtained supporting documentation.</li> </ul> <p>— <b>Assessing transparency:</b> we considered the adequacy of the Group’s disclosures in respect of revenue recognition policies and the timing of revenue recognition.</p>

The risk	Our response
<p><b>Going Concern (Group and parent Company)</b></p> <p><i>See note 1.1 to the Group Financial Statements</i></p> <p><i>Refer to page 63 (Audit Committee Report), and pages 72 - 74 (Directors' Report).</i></p> <p><b>Disclosure quality</b></p> <p>The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company.</p> <p>That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.</p> <p>The risks most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period were:</p> <ul style="list-style-type: none"> <li>• The inability to achieve the growth and new order intake targets in the base case forecasts;</li> <li>• A reduction in non-recurring revenues resulting from a loss of customer confidence, and uncertainties over the timing and extent of non-recurring revenues from quarter to quarter;</li> <li>• The timing and extent of cash outflows relating to capital expenditure and dividends, and their resulting impacts on debt covenant compliance; and</li> <li>• The classification of certain costs as exceptional items, which are excluded from adjusted EBITDA and are not defined by IFRSs, and the resulting impacts on the Group's debt covenant calculations.</li> </ul> <p>There are also less predictable but realistic second order impacts, such as the erosion of customer confidence resulting in increased cancellation rates for recurring revenues, which could result in a rapid reduction of available financial resources.</p> <p>The risk is shown as reducing as there is a greater level of headroom on the Group's debt covenants throughout the going concern assessment period when compared to the prior year, and there is reduced uncertainty around other risks identified in the prior year including the failure to achieve forecast energy efficiencies, and adverse impacts from inflationary pressures, such as interest rates.</p> <p>The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</p>	<p>We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. Our procedures also included:</p> <ul style="list-style-type: none"> <li>— <b>Funding assessment:</b> we read the borrowing facilities agreement and subsequent amendment letters to understand the terms, including covenant requirements. We reperformed the key financial covenant calculations at the measurement points throughout the going concern assessment period, assessing compliance at these dates. We considered the adjustments made in the adjusted cashflow and adjusted EBITDA measures for the covenant calculations, considering the appropriateness of such adjustments compared to the borrowing agreements and historically accepted practice with the lenders. In doing so, we assessed the classification of exceptional items in the context of the borrowing agreement definition, evaluating the impacts on debt covenant calculations.</li> <li>— <b>Historical comparisons:</b> we assessed the ability of the Group to accurately forecast by comparing actual performance to forecasts, including for adjusted EBITDA, levels of new order intake and non-recurring revenues compared to previous projections.</li> <li>— <b>Test of detail:</b> we critically assessed the cash flow forecasts by considering the appropriateness of key assumptions used in preparing those projections, with a focus on revenue growth and new order intake, electricity volume and price assumptions, and the timing and extent of cashflows, including capital expenditure and dividend payments. In assessing the timing and extent of capital expenditure, we considered the upfront capital investment required to take on a significant new customer contract.</li> <li>— <b>Sensitivity analysis:</b> we critically challenged the downside sensitivities applied in the downside forecast scenario, assessing whether these represented severe but plausible scenarios based on our knowledge of the business and considering the most recent trading results. We performed additional stress testing over the remaining covenant headroom levels under a severe but plausible downside scenario.</li> <li>— <b>Evaluating directors' intent:</b> we evaluated the achievability of the actions the directors have modelled in the base case and severe but plausible downside scenario, including utilisation of the Group's asset financing facility and the timing of dividend payments, taking into account the extent to which the directors can control the timing and outcome of these.</li> <li>— <b>Assessing transparency:</b> we assessed whether the matters included in the going concern disclosure in note 1.1 give a full and accurate description of the directors' assessment, including the judgements made, identified risks and mitigating actions.</li> </ul>

The valuation of intangible assets acquired in the Sungard and 4D Data Centres acquisitions and valuation of certain property, plant and equipment acquired as part of the Sungard business combination was a key audit matter in the prior year. However, due to these acquisitions completing in the prior period, there is no remaining judgement or estimation uncertainty relating to these acquisitions, and therefore we have not assessed this as one of our most significant risks in the current year audit.

The recoverability of the parent Company's investment in subsidiaries was a parent Company key audit matter in the prior year. However, during the audit we concluded that our work in respect of going concern had a greater effect on the overall parent Company audit strategy, and allocation of resources. As a result of this, and the inclusion of going concern as a Group and parent Company key audit matter, we have not assessed the recoverability of the parent Company's investment in subsidiaries as one of our most significant risks in the current year audit of the parent Company.

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

Materiality for the Group financial statements as a whole was set at £1.4m (2023: £1.1m), determined with reference to a benchmark of total revenue of £163.1m (2023: £141.7m), of which it represents 0.86% (2023: 0.78%). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group loss before tax, and is reflective of the size and complexity of the Group.

Materiality for the parent Company financial statements as a whole was set at £0.8m (2023: £0.52m), determined with reference to a benchmark of parent Company total assets, of which it represents 0.75% (2023: 0.49%).

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

Performance materiality was set at 75% (2023: 65%) of materiality for the financial statements as a whole, which equates to £1.05m (2023: £0.715m) for the Group and £0.6m (2023: £0.34m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £70,000 (2023: £55,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

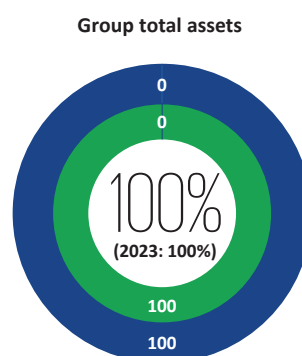
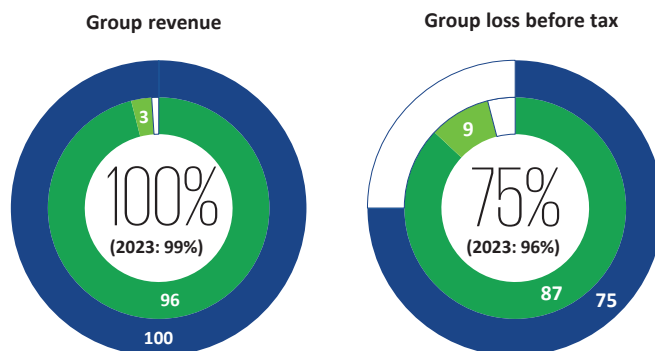
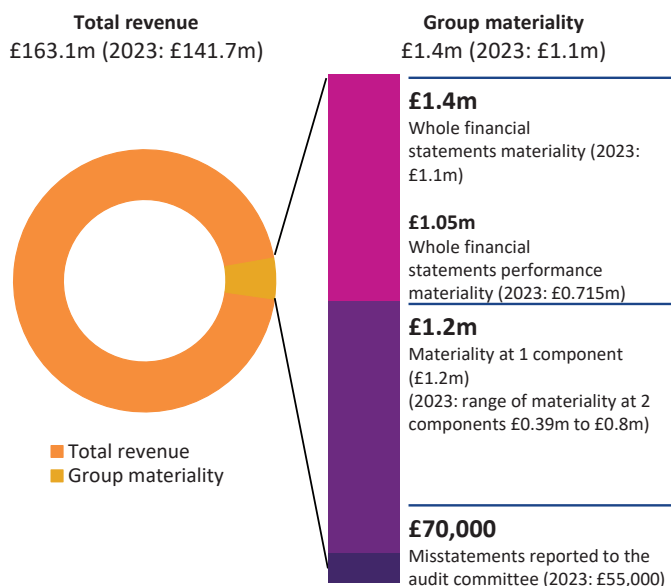
Of the Group's 5 (2023: 6) reporting components, we subjected 1 (2023: 1) to full scope audits for group purposes and 0 (2023: 1) to specified risk-focused audit procedures.

The components within the scope of our work accounted for the percentages illustrated opposite. As group loss before tax is smaller this year, the profits and losses in respect of the residual components represent a higher percentage of group loss before tax. The profits and losses in respect of residual components for the year ended 31 March 2024 are less than group materiality. The remaining 25% (2023: 4%) of group loss before tax is represented by 4 (2023: 4) reporting components, none of which individually represented more than 1% (2023: 1%) of total group revenue or total group assets. The group loss before tax coverage is higher in the prior year reflecting the larger overall group loss before tax in 2023 (of which residual components formed a smaller proportion), and a change in methodology in calculating the loss before tax attributable to residual components.

For the residual 4 (2023: 4) components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on the 1 (2023: 2) components, and the audit of the parent Company, was performed by the Group team. Component materiality was £1.2m (2023: component materialities ranged from £0.4m to £0.8m, having regard to the mix of size and risk profile of the Group across the components).

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.



- Full scope for group audit purposes 2024
- Full scope for group audit purposes 2023
- Specified risk-focused audit procedures 2023
- Residual components

#### 4. Going concern

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

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

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 1.1 to be acceptable.

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

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

##### *Identifying and responding to risks of material misstatement due to fraud*

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

- Enquiring of directors and the Audit Committee, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, Audit Committee, and Remuneration Committee minutes;
- Considering remuneration incentive schemes, performance targets and strategic business objectives for the directors; and
- Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, and taking into account possible pressures to meet profit targets in a given year, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that Group management may be in a position to make inappropriate accounting entries; and the risk that revenue is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

Further detail in respect of the revenue recognition cut-off risk is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on certain risk criteria, and comparing the identified entries to supporting documentation. This included those journals with unexpected account pairings or posted by unexpected users;
- Assessing if any bias is present in the significant judgement in relation to the classification of exceptional items, which are excluded from adjusted EBITDA; and
- Performing procedures over revenue recognition as disclosed in section 2 of this report.

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

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

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

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

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and corruption, employment law, data protection regulations, environmental protection legislation and contract legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

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

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

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

##### *Strategic report and directors' report*

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

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

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

We have nothing to report in these respects.

#### 8. Respective responsibilities

##### *Directors' responsibilities*

As explained more fully in their statement set out on page 75, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

##### *Auditor's responsibilities*

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

#### **Christopher Vaulks (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor**

##### *Chartered Accountants*

Quayside House  
110 Quayside  
Newcastle upon Tyne  
Tyne and Wear  
NE1 3DX

15 August 2024



# Consolidated Statement of Comprehensive Income

for the year ended 31 March 2024

	Note	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
<b>Revenue</b>	6	<b>163,150</b>	141,674
Cost of sales		<b>(45,115)</b>	(40,763)
<b>Gross profit</b>		<b>118,035</b>	100,911
Operating costs		<b>(119,283)</b>	(109,938)
Other operating income	7	-	88
Gain on settlement of contingent consideration	9	<b>2,100</b>	-
<b>Adjusted EBITDA<sup>1</sup></b>		<b>28,316</b>	24,492
Depreciation of property, plant and equipment	16	<b>(6,089)</b>	(4,636)
Amortisation of intangibles	15	<b>(6,010)</b>	(8,773)
Depreciation of right-of-use assets	17	<b>(11,777)</b>	(10,617)
Exceptional costs	9	<b>(4,550)</b>	(8,149)
Exceptional income	9	<b>2,100</b>	-
Share-based payments	28	<b>(1,138)</b>	(1,256)
<b>Operating profit/(loss)</b>		<b>852</b>	(8,939)
Finance costs	10	<b>(5,502)</b>	(3,530)
<b>Loss before taxation</b>		<b>(4,650)</b>	(12,469)
Income tax credit	12	<b>1,209</b>	3,219
<b>Loss for the period attributable to owners of the parent</b>		<b>(3,441)</b>	(9,250)
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences		<b>(117)</b>	(97)
Deferred tax movement on share options		-	47
<b>Total comprehensive loss for the period</b>		<b>(3,558)</b>	(9,300)
<b>Earnings per share</b>			
Basic loss per share	13	<b>(2.20p)</b>	(5.94p)
Diluted loss per share	13	<b>(2.20p)</b>	(5.94p)

<sup>1</sup> For an explanation and reconciliation of the alternative performance measures used in this report, please refer to pages 22-25.

The Notes on pages 87-131 are an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Financial Position

as at 31 March 2024

	Note	31 March 2024 £000	31 March 2023 £000
<b>Non-Current Assets</b>			
Intangible assets	15	78,883	83,217
Property, plant and equipment	16	21,422	17,131
Right-of-use assets	17	37,478	46,282
Trade and other receivables	20	3,307	-
Deferred tax asset	18	2,503	1,076
		<b>143,593</b>	<b>147,706</b>
<b>Current Assets</b>			
Inventories	19	4,187	3,716
Trade and other receivables	20	33,543	39,254
Corporation tax receivable		53	48
Cash and cash equivalents		3,130	1,366
		<b>40,913</b>	<b>44,384</b>
<b>Total Assets</b>		<b>184,506</b>	<b>192,090</b>
<b>Current Liabilities</b>			
Trade and other payables	22	42,154	43,578
Bank loans and asset financing	24	1,149	475
Lease liabilities	24	8,903	10,804
Provisions	26	892	1,841
Contingent consideration	23	-	2,990
		<b>53,098</b>	<b>59,688</b>
<b>Non-Current Liabilities</b>			
Bank loans and asset financing	24	42,366	33,651
Lease liabilities	24	23,077	29,400
Provisions	26	11,482	11,160
		<b>76,925</b>	<b>74,211</b>
<b>Total Liabilities</b>		<b>130,023</b>	<b>133,899</b>
<b>Net Assets</b>		<b>54,483</b>	<b>58,191</b>
<b>Equity</b>			
Called up share capital	27	159	157
Share premium account	27	75,649	73,267
Common control reserve		(9,454)	(9,454)
Own shares held in treasury	27	(779)	(898)
Retained earnings		(11,092)	(4,881)
<b>Total Equity</b>		<b>54,483</b>	<b>58,191</b>

The Notes on pages 87-131 are an integral part of these Consolidated Financial Statements.

The Financial Statements of Redcentric Plc (Registration Number 08397584) on pages 82-85, and the Notes to these Financial Statements on pages 87-131 were approved by the Board on 15 August 2024 and are signed on its behalf by:

**David Senior**

Chief Financial Officer

# Consolidated Cash Flow Statement

for the year ended 31 March 2024

	Note	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Loss before taxation		(4,650)	(12,469)
Finance costs	10	5,502	3,530
Operating profit/(loss)		852	(8,939)
<b>Adjustment for non-cash items</b>			
Depreciation and amortisation	15,16,17	23,876	24,026
Profit on disposal of property, plant and equipment		(53)	-
Exceptional income	9	(2,100)	-
Exceptional costs	9	4,550	8,149
Share-based payments	28	1,138	1,256
Operating cash flow before exceptional items and movements in working capital		28,263	24,492
Cash costs of exceptional items	9	(4,240)	(8,258)
Cash costs of provisions		(978)	-
Operating cash flow before changes in working capital		23,045	16,234
<b>Changes in working capital</b>			
Increase in inventories		(471)	(2,324)
Decrease/(increase) in trade and other receivables		2,411	(15,463)
(Decrease)/increase in trade and other payables		(1,826)	16,377
<b>Cash generated from operations</b>		<b>23,159</b>	<b>14,824</b>
Tax paid		(174)	(670)
<b>Net cash generated from operating activities</b>		<b>22,985</b>	<b>14,154</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(9,265)	(5,505)
Acquisition of subsidiaries (net of cash acquired)		(890)	(26,606)
Purchase of intangible assets		(1,479)	(869)
<b>Net cash used in investing activities</b>		<b>(11,634)</b>	<b>(32,980)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	14	(1,369)	(5,593)
Disposal of treasury shares on exercise of share options		116	229
Financing of property, plant and equipment		2,419	966
Interest paid on bank loans, term loans and asset financing		(3,569)	(1,771)
Interest paid on leases		(1,328)	(1,218)
Repayment of leases	24	(10,638)	(6,901)
Repayment of asset financing liabilities	24	(635)	-
Repayment of term loans	24	(474)	(508)
Drawdown of bank loans	24	16,500	55,500
Repayment of bank loans	24	(10,500)	(21,500)
Payment of loan arrangement fees		-	(713)
<b>Net cash used in financing activities</b>		<b>(9,478)</b>	<b>18,491</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,873</b>	<b>(335)</b>
Cash and cash equivalents at beginning of period		1,366	1,804
Effect of exchange rates		(109)	(103)
<b>Cash and cash equivalents at end of the period</b>		<b>3,130</b>	<b>1,366</b>

The Notes on pages 87-131 are an integral part of these Consolidated Financial Statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 March 2024

	Share capital £000	Share premium £000	Common control reserve £000	Own shares held in treasury £000	Retained earnings £000	Total equity £000
At 1 April 2022	157	73,267	(9,454)	(2,673)	10,551	71,848
Loss for the period	-	-	-	-	(9,250)	(9,250)
<b>Transactions with owners</b>						
Share-based payments (Note 28)	-	-	-	-	1,044	1,044
Dividends paid (Note 14)	-	-	-	-	(5,593)	(5,593)
Share option exercises	-	-	-	1,775	(1,546)	229
Deferred tax relating to prior periods	-	-	-	-	(37)	(37)
<b>Other comprehensive income</b>						
Deferred tax movement on share options	-	-	-	-	47	47
Currency translation differences	-	-	-	-	(97)	(97)
<b>At 31 March 2023</b>	<b>157</b>	<b>73,267</b>	<b>(9,454)</b>	<b>(898)</b>	<b>(4,881)</b>	<b>58,191</b>
Loss for the period	-	-	-	-	(3,441)	(3,441)
<b>Transactions with owners</b>						
Share-based payments (Note 28)	-	-	-	-	1,053	1,053
Issue of new shares (Note 27)	2	2,382	-	-	-	2,384
Dividends paid (Note 14)	-	-	-	-	(3,752)	(3,752)
Share option exercises	-	-	-	119	(3)	116
Deferred tax movement on share options	-	-	-	-	78	78
Deferred tax relating to prior periods	-	-	-	-	(29)	(29)
<b>Other comprehensive income</b>						
Currency translation differences	-	-	-	-	(117)	(117)
<b>At 31 March 2024</b>	<b>159</b>	<b>75,649</b>	<b>(9,454)</b>	<b>(779)</b>	<b>(11,092)</b>	<b>54,483</b>

The Notes on pages 87-131 are an integral part of these Consolidated Financial Statements.

“

Working with the cloud team at Redcentric and our other development partners, we have been able to move critical business processes from traditional architectures to AWS RDS, enabling us to continue to develop and scale our All4 product, as our registered users base exceeds 22 million.

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# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024

## 1 Summary of significant accounting policies

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

The Group Financial Statements have been prepared and approved by the Directors in accordance UK-adopted international accounting standards ("UK-adopted IFRS").

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been applied consistently in the current and prior period.

These Financial Statements are presented in pound sterling, being the currency of the primary economic environment in which the Group operates. All amounts have been rounded to the nearest thousand (£'000), unless otherwise indicated.

The Financial Statements are prepared on the historical cost basis except that contingent consideration is measured at fair value.

### 1.1 Basis of preparation

The Financial Statements are prepared on a going concern basis which the Directors believe to be appropriate for the following reasons.

The Group and Company meets their day to day working capital requirements from the Group's operational cash flows, a Revolving Credit Facility, Asset Financing Facility and leasing arrangements (see Note 24). The Revolving Credit Facility is an £80.0m facility (net £40.0m utilised at 31 March 2024), while the Asset Financing Facility is a £7.0m facility (increased to £10.0m in August 2024). £3.6m of the Asset Financing Facility was utilised at 31 March 2024. In March 2024 the Revolving Credit Facility and Asset Financing Facility were extended at the Group's request, with a new maturity date of 26 April 2026.

The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these Financial Statements (the "going concern assessment period") which indicate that, taking account of reasonably possible downsides on the operations and its financial resources, the Group and the Company will have sufficient funds to meet their liabilities as they fall due for that period, and will comply with debt covenants over that period.

The Group is required to comply with financial debt covenants for adjusted leverage (net debt to adjusted EBITDA), cashflow cover (adjusted cashflow to debt service,

where adjusted cashflow is defined as adjusted EBITDA less tax paid, dividend payments, IFRS16 lease repayments and cash capital expenditure) and provisions relating to guarantor coverage such that guarantors must exceed a prescribed threshold of the Group's gross assets, revenue and adjusted EBITDA. The guarantors are Redcentric plc and Redcentric Solutions Limited. Covenants are tested quarterly each year.

During FY24 the Group has continued to invest heavily in integration and efficiency programmes which are expected to deliver significant benefits to the business from FY25 onward. In addition, a significant proportion of the Group's focus has been on the Harrogate data centre relocation in favour of delivering other projects including the further consolidation of cloud platforms. In anticipation of the effect of these factors on continued covenant compliance, particularly as the covenant tests are on a rolling 12-month basis, in June 2024 the Directors reached agreement with the banking syndicate to apply less stringent debt covenant requirements for the quarters ended June and September 2024, despite not anticipating a breach at these quarters. The purpose of this amendment was to provide additional headroom on covenants in the event of a severe but plausible downside scenario, and to provide additional flexibility around the timing and financing of capital expenditure for new customer projects. There were no other material changes to the terms and conditions of the borrowings because of this amendment. All requirements within the borrowings facility agreement and subsequent amendments have been adhered to in the respective quarters, with the banking syndicate further agreeing not to apply a clause relating to the retrospective inclusion of the January 2024 dividend into the December 2023 covenant calculation. This clause is no longer applicable from April 2024 onwards.

The Directors' forecasts in respect of the going concern assessment period have been built from the detailed Board approved budget for the year ending 31 March 2025, and a forecast for the year ending 31 March 2026, and the going concern assessment takes account of the debt covenant requirements.

The forecasts include a number of assumptions in relation to order intake, renewal and churn rates, EBITDA margin improvements, the full year impact of energy efficiency investment and improved electricity pricing (a significant proportion of which is locked in through FY25 at forward rates favourable to those achieved in FY24). Revenue assumptions reflect levels achieved in FY24 plus organic growth, and have been adjusted for the enlarged customer base and additional products following the acquisitions made in FY23.



# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 1.1 Basis of preparation (continued)

Whilst the Group's trading and cash flow forecasts have been prepared using current trading assumptions, the operating environment continues to present several challenges which could negatively impact the actual performance achieved. These risks include, but are not limited to, achieving forecast levels of new order intake, the impact on customer confidence as a result of general economic conditions, inflationary cost pressures including unexpected one-off cost impacts, and the efficacy of energy efficiency measures under a prolonged period of hot weather. In making their going concern assessment in light of these risks, the Directors have also modelled a combined severe but plausible downside scenario when preparing the forecasts.

The downside scenario assumes significant economic downturn over FY25 and into FY26, primarily impacting recurring new order intake and non-recurring product and services revenues as the Directors note the uncertainties surrounding the timing and extent of non-recurring revenue from quarter to quarter. In this scenario, recurring monthly order intake is forecast to reduce by 30% compared to base case budget and product and services non-recurring revenues reduce by 20% compared to base case budget incorporating potential supply chain issues, reduced investment from our existing customer base and failure to expand market share as planned. In addition, the downside scenario also assumes the new business obtained does not achieve the gross margin planned, with a 10% reduction to the planned gross margin achievement across all new recurring revenue modelled.

An additional factor that can impact the revenue and gross margin assumptions in the going concern assessment period is the level of customer cancellations (of an individual service or product). Whilst known, near-term customer cancellations have been modelled, coupled with an underlying level of customer cancellations based on historic trends, there remains a risk that unexpected, medium to large customer cancellations could occur in the near-term. The Group is protected contractually to a large extent with notice periods and cancellation clauses, however a residual risk remains. An additional level of customer cancellations has therefore been modelled each quarter in the downside scenario to reflect this risk.

Following the energy efficiency measures delivered in FY24, electricity volumes are significantly more predictable than they have been historically. In addition, power prices are 90% fixed (at current volumes) through to September 2025. However, there remains a risk that periods of sustained

higher summer temperatures, considering the impacts of wider climate-related factors, could increase energy usage at sites where new efficiency measures have been introduced, but not tested, at these prolonged higher temperatures. A 5% increase in forecasted usage has been modelled across a period of three months over the summer to reflect this risk.

With respect to the remaining operating cost base, whilst the Board approved forecast contains detailed, itemised cost forecasts (including inflation), there remains a risk inherent within the industry related to the complex cost base and significant volumes of services procured that unexpected costs and/or unexpected cost increases can at times occur. In the severe but plausible downside scenario, an additional quarterly cost shock has been modelled to reflect this risk. In preparing the cash flow forecasts and analysis relating to debt covenant compliance through the going concern assessment period, the Directors have considered the nature of exceptional items and are satisfied that such items meet the Group's accounting policy and borrowings facility agreement definition of exceptional items.

Given external market analysis indicates an expectation that interest rates have stabilised, no sensitivity on interest rates has been included in the plausible downside scenario. Both the base case and severe but plausible downside forecast scenarios continue to model the payment of dividends, including a final FY24 dividend payment in January 2025. The Directors will continue to monitor the impact and timing of dividend payments in the normal course of their quarterly liquidity and debt covenant compliance monitoring.

In addition to the base case and severe but plausible downside forecasts, the Directors have modelled an overlay scenario in anticipation of an EBITDA enhancing, significant new customer contract. This contract would necessitate certain upfront capital expenditure, with revenues following later in the forecast period when services commence. As a result, in August 2024 agreement was reached with the Group's lenders to increase the Asset Financing Facility limit to £10.0m. The overlay scenario models the impacts of this potential new contract into the base case and severe but plausible downside forecasts, including the timing and financing of related capital expenditure, and the resulting impacts on debt covenant compliance.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 1.1 Basis of preparation (continued)

Under the downside scenario modelled, and including the new customer contract overlay, the forecasts demonstrate that the Group is expected to maintain sufficient liquidity and will continue to comply with the relevant debt covenants without management taking mitigating actions. While not modelled, mitigating actions which are within the Group's control would also be available in the event of a severe downside. Such actions include, but are not limited to, the rephrasing of discretionary capital expenditure, and further management of discretionary cost areas such as marketing, training and travel.

The Directors therefore remain confident that the Group and Company have adequate resources to continue to meet their liabilities as and when they fall due within the period of at least 12 months from the date of this Report.

## 1.2 Changes in accounting policy and disclosure

The amendment to IAS 12 Income Taxes for assets and liabilities arising from a single transaction has been recognised in the current year with the prior year comparative restated, refer to note 18. There is no requirement for a full retrospective application.

### *Adopted IFRS not yet applied*

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

## 1.3 Basis of consolidation

The Group Financial Statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 March 2024.

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

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

## 1.4 Segmental reporting

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

## 1.5 Revenue recognition

IFRS 15 'Revenue from contracts with customers' requires "performance obligations" to be identified at the inception of the contract for each of the distinct goods or services that have been promised to the customer. The following table summarises the performance obligations that we have identified for our major revenue lines and provides information on the time of when they are satisfied and the related revenue recognition policy. The Group does not consider that there are any significant judgements made in concluding when a customer obtains control of a promised good or service.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 1.5 Revenue recognition (continued)

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

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

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

Payments received in advance of the revenue recognition point are recognised as deferred income within trade and other payables and amounts billed in arrears are accrued income within trade and other receivables. Revenue expected to be recognised in future periods for performance obligations that are not complete (or partially complete) as at 31 March 2024 is £306m. This expectation is informed by existing customer contracts, and the expected term of services based on management's expectation of anticipated renewal dates. Of this, £299m relates to revenue for recurring Managed Services. In comparison, revenue expected to be recognised in future periods for performance obligations that were not complete (or partially complete) as at 31 March 2023 was £219m. Of this, £215m related to revenue for recurring Managed Services. 30 days standard payment terms are offered to customers.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 1.5 Revenue recognition (continued)

The Group pays commission to its sales teams for new contracts and renewals with the associated cost recognised over the life of the contract in accordance with IFRS15. Commission payments paid in advance are recognised as contract acquisition assets within trade and other receivables. Amortisation of the associated contract acquisition asset is recognised within operating costs within the Statement of Comprehensive Income.

Incremental revenues are generated based on usage for calls and data. Some managed service contracts contain an element of usage-based charges, and customers may request additional services or changes in scope, both resulting in additional charges. Usage-based charges are typically billed in arrears, in the period subsequent to which the usage takes place, and revenue is therefore accrued in the month which usage takes place. For changes in scope or additional services, a new distinct contract is entered into, with revenue recognised as above.

Also recognised in product revenue are a small number of sales recognised under bill and hold arrangements. The Group have applied the criteria defined in IFRS 15, in particular: the reason for the bill-and-hold arrangement is substantive, the product can be identified separately as belonging to the customer; the product is ready for physical transfer to the customer; and the Group cannot use the product of direct it to another customer.

## 1.6 Exceptional items

Exceptional items are items of income and expense which are material and, due to their nature or expected infrequency of the events giving rise to them, are presented separately on the face of the Statement of Comprehensive Income in order to provide a further understanding of the Group's financial performance. Exceptional items are excluded from the Group's alternative performance measures (APMs), as defined on pages 22-25, and are disclosed in detail in Note 9. Amounts included in exceptional items may also represent true ups presented as exceptional in prior periods.

## 1.7 Share-based payments

### Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date at

which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model for which the assumptions are approved by the Directors. In valuing equity-settled transactions, only vesting conditions linked to the market price of the shares of the Company are considered.

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

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

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

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

In respect of equity-settled transactions with employees, Redcentric plc grants rights to its equity instruments to employees of the Group. The Group's subsidiaries are the receiving entities for such arrangements as they receive the related services from employees, however such awards are ultimately settled by Redcentric plc as the parent Company.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 1.8 Taxation

The taxation expense charged in the Consolidated Statement of Comprehensive Income represents the sum of the current tax expense and the deferred tax expense.

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the Financial Statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income, except where the underlying transaction relates directly to equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

## 1.9 Foreign currencies

The functional and presentation currency of Redcentric plc is Pound Sterling (£) and the Group conducts the majority of its business in Sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the Statement of Comprehensive Income, except for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

## 1.10 Pensions

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

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 1.11 Business combinations

Business combinations are accounted for by applying the acquisition method at the accounting date, which is the date on which control is transferred to the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

Where an acquisition involves a potential payment of contingent consideration the cost is estimated based on its acquisition date fair value and is included as part of the consideration transferred in a business combination. To estimate the fair value an assessment is made as to the amount of additional consideration that is likely to be paid with reference to the associated criteria. Where a change is made to the fair value of contingent consideration within the initial measurement period as a result of new or additional information that existed at the acquisition date the change is accounted for as a retrospective adjustment to goodwill. Any change as a result of events that occurred after the acquisition date then the adjustment is accounted for as a charge or credit to profit or loss. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Costs related to acquisitions, other than those associated with the issue of debt or equity securities, are expensed as incurred.

## 1.12 Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control is established to the date control ceases.

Control is achieved where the acquiring Company has the power to govern the financial and operating policies of an investee entity therefore obtaining benefits from its activities. Intercompany transactions and outstanding balances are eliminated on consolidation.

For the year ended 31 March 2024 the following companies are exempt from audit under s479A of the Companies Act 2006 (the Act) as Redcentric plc will provide a guarantee under s479C of the Act and their results are included in its Consolidated Financial Statements.

- Píksel Industry Solutions Limited (03048367)
- 7 Elements Limited (SC382475)
- 4D Data Centres Limited (04592242)

## 1.13 Intangible assets

### a) Goodwill

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

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



# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 1.13 Intangible assets (continued)

### a) Goodwill (continued)

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

### b) Other intangible assets

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

An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Customer relationships acquired as part of a business combination are capitalised at fair value at the date of acquisition and amortised on a straight-line basis over the estimated useful life of the customer relationship. An annual impairment review is undertaken in line with that of goodwill noted above.

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

Customer contracts and related relationships	5 – 15 years
Trademarks and brands	5 years
Software and licences	5 years (or over the contract term if shorter)

Impairment and amortisation charges are included within operating expenditure in the Statement of Comprehensive Income.

### c) Internally generated intangibles

Expenditure on software development is capitalised as an intangible asset only if it meets the recognition criteria set out in IAS 38 Intangible Assets, requiring it to be probable that the expenditure will generate future economic benefits

and can be measured reliably. To meet these criteria, it is necessary to be able to demonstrate, among other things, the technical feasibility of completing the intangible asset so that it will be available for use or sale.

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

## 1.14 Property, plant and equipment

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

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

Office fixtures and fittings	5 years
Leasehold improvements	15 years (or over the lease term if shorter)
Vehicles and computer equipment	3 – 5 years (or over the contract term if shorter)

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

Assets under construction are recognised at cost. Depreciation commences when the asset is ready for intended use.

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

In reviewing the value of property, plant and equipment, consideration for any impacts of climate-related risks to fair values or the useful economic lives of assets is deemed not material.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 1.15 Impairment of property, plant and equipment, right-of-use assets and intangible assets excluding goodwill

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

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

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

Whilst the Group is committed to net zero and acknowledges there will be future cash outflows associated with achieving this, there is no expectation that it will materially impact the carrying value of its asset base, particularly given the relative short-term useful economic lives.

## 1.16 Inventories and cost of sales

Inventories are stated at the lower of cost and net realisable value. Cost corresponds to purchase cost determined by the first in first out (FIFO) method. Provision is made, where necessary, for slow-moving, obsolete and defective inventories.

## 1.17 Leases

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost

less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability. Depreciation is provided on a straight-line basis over the life of the lease, or the useful economic life if that is shorter.

Cost of the right-of-use asset consists of the initial lease liability plus any lease payments made to the lessor before the commencement date (less any lease incentives received), plus the initial estimate of restoration costs and any initial direct costs incurred by the lessee.

Obligations to restore the underlying asset to the condition required by the terms and conditions of the lease are recognised and measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and a corresponding asset included in the related right-of-use asset. Dilapidation provisions are discounted to present value at the year end and subsequent unwinding of the discounting is recorded in the Statement of Comprehensive Income.

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

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

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

### *Asset financing*

Where the Group finances assets using the Asset Financing Facility, the Group gives consideration as to whether a sale of the asset has taken place under IFRS 15, and therefore whether a sale and leaseback transaction exists. Where a sale of the underlying asset is not deemed to have taken place, then the related asset is included within property, plant and equipment, with the corresponding liability reflected as an other financial liability within borrowings, measured in accordance with IFRS 9.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 1.18 Financial instruments

### a) Financial assets

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

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

#### Trade receivables

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

In recognising any provision for impairment, the Group applies the IFRS 9 approach to measuring expected credit losses which uses a lifetime expected loss allowance for all assets held at amortised cost. The Group recognises a loss allowance for all expected credit losses on initial recognition using an allowance matrix to measure the expected credit losses of trade receivables from individual and corporate customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Given the similar characteristics of the product and service types, geographic region and type of customer relationship, all customers in each ageing bracket have had the same rate applied.

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

#### Cash and cash equivalents

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

### b) Financial liabilities

#### Trade payables

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

#### Provisions

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

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

#### Interest-bearing loans and borrowings

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

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

### 1.19 Dividends

Dividends payable to equity shareholders are included in the Financial Statements within 'other creditors' when a final dividend is approved by shareholders in a general meeting. Interim dividends to equity shareholders approved by the Board during the financial year are not included in the Financial Statements until paid.

### 1.20 Research and development costs

Expenditure on research activities is recognised in the Statement of Comprehensive Income as an expense as incurred. Expenditure on development activities is capitalised as "development costs" if the product or process is technically and commercially feasible, if the Group has the technical ability and sufficient resources to complete development, if future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 1.21 Allocation of costs

Cost of sales are those costs which are directly attributable to the business in order to generate revenue, which includes costs of hardware and software sold to customers, freight and delivery, reseller commissions and set-up costs.

Operating costs are all other expenses relating to the underlying business, which includes staff costs, legal and professional fees, office costs, amortisation of contract acquisition assets, marketing and advertising.

## 2 Critical accounting judgements, key sources of estimation uncertainty and other areas of estimation

In the application of the Group's accounting policies, which are described in Note 1, the Board are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities, without clear direction from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Group's risk management and climate-related commitments where appropriate. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Judgements

The Group has identified the following items as a critical accounting judgement which would have a significant impact to the amounts recognised in the Financial Statements for the year ended 31 March 2024.

#### Exceptional items

The Group presents separately, on the face of the Consolidated Statement of Comprehensive Income, material items of income and expenses, which, because of their nature and expected infrequency of events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of the Company's underlying financial performance. An element of management judgment is required in identifying these exceptional items. Additional information is included in Note 9.

#### Going concern

Management have prepared reports and financial models on the going concern assumptions when considering the FY24 results and the Group's financial performance and compliance with banking covenants for a period of at least 12 months from the date of approval of the Financial Statements. In addition, internal financial projections including stress testing have been prepared, with management applying severe but plausible downside scenarios. An element of judgement is involved in determining that there is no material uncertainty over the Group continuing as a going concern. Additional information is included in Note 1.1.

#### Estimates

There are no major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 3 Financial risk management

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

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

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

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 3 Financial risk management (continued)

### a) Foreign exchange risk

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

### b) Cash flow interest rate risk

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

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

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

### c) Price risk

The Group is not exposed to significant commodity or security price risk. The Group has entered into contracts with energy brokers and has agreed own-use commodity prices for a significant proportion of its expected electricity volumes, which significantly reduces its exposure to price volatility.

### d) Credit risk

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

### Liquidity risk

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

## 4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's future growth and its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Group has previously both issued new shares and borrowed using bank facilities. The Group monitors capital on the basis of the ratio of net bank debt to adjusted EBITDA. Net debt is calculated as total bank borrowings (including 'current and non-current borrowings' as shown in the Consolidated Statement of Financial Position) less cash and cash equivalents, and adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, exceptional costs and share-based payments. The Group's strategy is to maintain the ongoing ratio at below 2.5x. The ratio was below this level throughout the year, and at 31 March 2024 was 2.3x (31 March 2023: 1.8x).

The bank facilities referred to in Note 24 contain various covenants relating to EBITDA, interest cover, net debt and cash flow, which the Group monitors on a monthly basis. The Group adopts a risk-averse position with respect to borrowings and maintains headroom in its bank facilities to ensure that any unexpected situations do not create financial stress. Refer to Note 1.1.

## 5 Segment reporting

IFRS 8 requires operating segments to be identified based on internal financial information reported to the chief operating decision-maker (CODM) for decision-making purposes. The Group considers that this role is performed by the main Board. The Board believes that the Group continues to comprise a single reporting segment, being the provision of Managed Services to customers. The CODM assesses profit performance principally through an adjusted EBITDA measure, as defined on page 23.

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

Non-current assets held outside the UK are immaterial (31 March 2023: immaterial).



# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 6 Revenue

Revenue for the year ended 31 March 2024 was generated wholly from the UK and is analysed as follows:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Recurring revenue	149,091	128,461
Product revenue	5,507	7,144
Services revenue	8,552	6,069
<b>Total revenue</b>	<b>163,150</b>	<b>141,674</b>

Revenue is analysed into the following categories:

- Recurring revenue, which was higher at £149.1m (FY23: £128.5m).
- Non-recurring product revenue, which was lower at £5.5m (FY23: £7.1m).
- Non-recurring services revenue, which was higher at £8.6m (FY23: £6.1m).

The year-on-year increases noted in recurring revenue and non-recurring service revenue are in part attributable to the full year impact of prior year acquisitions (see Note 32) coupled with organic growth in the existing business. The reduction in non-recurring product revenue is attributable to reduced projects in FY24 with the focus being on higher margin services revenues.

### 6.1 Contract balances

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

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Receivables, included in trade and other receivables, net of provisions (Note 21)	18,190	20,205
Accrued income, included in trade and other receivables (Note 20)	5,194	4,568
Deferred income, included in trade and other payables (Note 22)	(9,983)	(8,331)

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

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 7 Operating profit

The following costs/(income) are considered to be significant items within operating profit:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Amortisation of acquired intangible assets	5,229	8,183
Amortisation of intangible assets: owned	736	590
Amortisation of intangible assets: financed	45	-
Depreciation: owned assets	6,000	4,636
Depreciation: financed	89	-
Depreciation of right-of-use assets: leased	11,777	10,617
Share-based payments and associated National Insurance	1,138	1,256
Net foreign exchange losses	86	11
Employee benefits expense, excluding share-based compensation	37,261	33,223
Gain on settlement of contingent consideration (Note 9)	(2,100)	-
Exceptional costs (Note 9)	4,550	8,149

## Other operating income is broken down as follows:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Income from Transition Service Agreement	-	88

## 8 Auditor's remuneration

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

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Audit of these Financial Statements	50	45
Audit of subsidiaries (including overseas subsidiaries)	421	364
Additional audit fees in relation to business combinations audit work	-	100
<b>Total audit</b>	<b>471</b>	<b>509</b>
Other non-audit services not covered above	14	1
<b>Total non-audit services</b>	<b>14</b>	<b>1</b>
<b>Total fees</b>	<b>485</b>	<b>510</b>

£0.1m of additional audit fees were agreed in FY24 in respect of the FY23 Financial Statements audit. This amount is not reflected in the table above.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 9 Exceptional items

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
<b>Included within operating costs:</b>		
Acquisition related professional and legal fees	350	695
Integration costs	3,467	5,965
Restructuring costs	733	-
Costs relating to the settlement of a historical supplier dispute	-	809
Cloud computing costs	-	680
Total exceptional costs	4,550	8,149
<b>Presented separately in the Consolidated Statement of Comprehensive Income:</b>		
Gain on settlement of contingent consideration	(2,100)	-
Total exceptional income	(2,100)	-

### Current year

#### Exceptional costs

Acquisition related professional and legal fees of £0.4m (FY23: £0.7m) are for professional services linked to the significant acquisitions of certain business and assets relating to three data centres from Sungard Availability Services (UK) Limited ("Sungard"), the consulting business from Sungard and 100% of the issued share capital of 4D Data Centres Limited during the previous year. These costs, though incurred in FY24, relate to the acquisition projects and include valuation services in respect of establishing the fair value of acquired assets and other associated professional fees. Cash costs were £0.4m (FY23: £0.7m).

Integration costs of £3.5m (FY23: £6.0m) principally relate to the exit of the Harrogate data centre and relocation of both customer and internal platforms to our West Yorkshire data centre in Elland, which accounted for £2.6m of the integration costs. This activity was intrinsically linked to the integration of the Sungard and 4D Data Centre acquisitions, which left the Group with significant data centre capacity that required consolidation. Following a period of assessment of which data centres would best serve the Group going forward, it was determined the Harrogate data centre and adjoining office space would be exited at the end of the current lease on the 24 March 2024.

The relocation of the Harrogate data centre was a significant undertaking for the Group, involving dedicated resource for up to 12 months, including staff that were seconded to the project, and diverted away from other value-adding activities, for most or all of their time before returning to their existing roles following the project's completion. It is expected that £0.7m of cost allocated to integration costs in FY24 in respect of this move relates to staff costs which would have been included within adjusted operating profit in the prior year. In total, £1.4m of third-party expenditure across contract resource and other directly associated spend and £1.2m of staff salaries, bonuses and associated taxes were spent on the move to migrate activities to the West Yorkshire data centre. In addition, £1.0m of cost was incurred to restore the Harrogate site to its original condition following the customer migration. These costs, where they relate to restoration and dilapidations activity, are shown as a utilisation of the existing dilapidations provision for this site (Note 26).

The remaining £0.9m of integration costs presented within exceptional costs include £0.7m incurred to decommission presences in two third-party data centres inherited from acquisitions as part of the ongoing strategy to consolidate the estate and £0.2m related to staff costs performing other integration work to migrate legacy platforms.

Cash costs relating to exceptional integration costs in the year were £3.1m (FY23: £6.0m).

Restructuring costs include £0.5m of staff costs associated with a management restructure for staff who have subsequently left the business, and £0.2m of related legal fees. Cash costs were also £0.7m.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 9 Exceptional items (continued)

### Exceptional income

During FY24, the consideration for the Sungard acquisition was finalised. £2.5m of contingent consideration was recognised as a liability in the prior year based on the expectations at prior year balance sheet date. The final position has now been crystallised on the anniversary of date of the acquisition, in line with the purchase agreement. During FY24, the final settlement totalled £0.4m, and therefore an exceptional £2.1m credit has been recognised as a gain on settlement of contingent consideration in line with the prior year subsequent events disclosure. This is presented separately on the face of the Consolidated Statement of Comprehensive Income.

### Prior year

#### Exceptional costs

Acquisition related professional and legal fees of £0.7m in FY23 were for professional services linked to the three acquisitions in the prior year, as explained above. Cash costs were £0.7m.

The integration costs in FY23 relate to costs incurred in integrating the three businesses (Sungard data centres, Sungard Consulting and 4D Data Centres) into the Group during FY23 and include costs relating to the TSA (Transition Service Agreement) (£1.4m), migrating customers (£1.2m) and employee restructuring relating to employees who had subsequently left the business (£3.3m). There was also £0.1m of professional fees directly relating to the incremental financial statement audit procedures completed on the acquisition accounting.

In the prior year, costs relating to the settlement of a historical supplier dispute totalled £0.6m for the crystallisation of the settlement and £0.2m charged by the Group's legal advisors in respect of this matter. Cash costs were £0.8m.

Cloud computing costs of £0.7m in the prior year related to expenditure to achieve the original implementation scope of the Group's major ERP implementation programme, and the continued remediation of the Group's ERP system (Microsoft Dynamics 365) to resolve a number of implementation related process and system deficiencies that required correcting post initial implementation. Cash costs were £0.7m.

## 10 Finance costs

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
<b>Finance costs</b>		
Interest payable on bank loans, term loans and asset financing	3,604	1,827
Interest payable on leases	1,328	1,218
Amortisation of loan arrangement fees	209	291
Other interest payable	361	194
	<b>5,502</b>	<b>3,530</b>

Interest payable on leases includes £1.3m (FY23: £1.2m) of interest on leases previously classified as operating leases under IAS17.

Other interest payable relates to interest on contingent consideration and dilapidation provisions.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 11 Employees

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

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Operations	483	429
Selling and distribution	91	83
Administration	85	76
	<b>659</b>	<b>588</b>

Employee costs were:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Wages and salaries	31,901	27,978
Social security costs	3,497	3,251
Share-based payments and associated National Insurance	1,138	1,257
Pension costs	1,387	1,263
Payments in lieu of notice and redundancy not included within exceptional items	54	277
Payments in lieu of notice and redundancy included within exceptional items	422	453
	<b>38,399</b>	<b>34,479</b>

The payments in lieu of notice and redundancy included within exceptional items are within the integration related costs.

### 11.1 Key management compensation

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

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Basic salary, allowances, fees and other employment expenses	1,717	1,667
Bonus and other benefits	271	123
Share-based payments charge	678	601
Pension costs	104	91
	<b>2,770</b>	<b>2,482</b>



# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

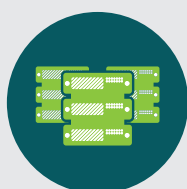
## 11 Employees (continued)

### 11.2 Directors' remuneration

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

	Basic Salary, allowances, and fees £000	Bonus £000	Pension £000	Share-based payments £000	FY24 Total £000	FY23 Total £000
<b>Executive</b>						
Peter Brotherton	382	114	43	-	539	831
David Senior	215	74	11	-	300	339
<b>Non-Executive</b>						
Alan Aubrey	50	-	-	-	50	38
Jon Kempster (resigned 21 July 2022)	-	-	-	-	-	25
Nick Bate	85	-	-	-	85	85
Helena Feltham (resigned 24 July 2023)	16	-	-	-	16	50
Oliver Scott (appointed 1 December 2023)	8	-	-	-	8	-
Michelle Senecal De Fonseca (appointed 13 February 2024)	7	-	-	-	7	-

We offer end-to-end management, total control, accountability and a single point of contact for our solutions delivered across our own network, platforms and data centres.



Multiple UK-based Tier 3 designed data centres



Own 100GB network



Voice & IaaS platforms



24/7 network & security operations centre



Offices throughout the UK



UK-based support team

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 11 Employees (continued)

### 11.2 Directors' remuneration (continued)

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

		Exercise price (p)	Balance, 31 March 2023 (number)	Granted (number)	Cancelled / lapsed (number)	Balance, 31 March 2024 (number)
<b>Peter Brotherton</b>						
	(a)	0.1	242,915	-	(242,915)	-
	(b)	0.1	554,326	-	-	554,326
	(c)	99.9	18,023	-	-	18,023
	(e)	0.1	621,250	-	-	621,250
	(f)	0.1	-	605,620	-	605,620
			<b>1,436,514</b>	<b>605,620</b>	<b>(242,915)</b>	<b>1,799,219</b>
<b>David Senior</b>						
	(a)	0.1	129,555	-	(129,555)	-
	(b)	0.1	312,296	-	-	312,296
	(d)	96.1	18,736	-	-	18,736
	(e)	0.1	333,334	-	-	333,334
	(f)	0.1	-	347,030	-	347,030
			<b>793,921</b>	<b>347,030</b>	<b>(129,555)</b>	<b>1,011,396</b>

(a) These options were granted on 8 December 2020 under the Company's Long Term Incentive Plan ("LTIP"). These options failed to vest following the publication of the Company's results for the year ended 31 March 2023 due to the vesting condition over Company share price growth not being met.

(b) These options were granted on 18 November 2021 under the Company's LTIP. The options will vest three years from grant subject to absolute Total Shareholder Return (TSR) Targets. For awards up to 100% of salary, 25% will vest for TSR of 5% p.a. increasing pro-rata to 100% vesting for TSR of 10% p.a. For awards between 100% and 200% of salary, 0% will vest for TSR of 10% p.a. increasing pro-rata to 100% vesting for TSR of 15% p.a.

(c) These options were granted on 23 December 2021 under the HMRC-approved Save-As-You-Earn ("SAYE") option plan under which employees contribute a monthly amount which is saved over three years to buy shares. The options are exercisable from 1 February 2025. There are no performance conditions.

(d) These options were granted on 26 August 2022 under the HMRC-approved Save-As-You-Earn ("SAYE") option plan under which employees contribute a monthly amount which is saved over three years to buy shares. The options are exercisable from 1 October 2025. There are no performance conditions.

(e) These options were granted on 12 October 2022 under the Company's LTIP. The options will vest three years from grant subject to absolute Total Shareholder Return (TSR) Targets. For awards up to 100% of salary, 25% will vest for TSR of 5% p.a. increasing pro-rata to 100% vesting for TSR of 10% p.a. For awards between 100% and 200% of salary, 0% will vest for TSR of 10% p.a. increasing pro-rata to 100% vesting for TSR of 15% p.a.

(f) These options were granted on 19 September 2023 under the Company's LTIP. The options will vest three years from grant subject to absolute Total Shareholder Return (TSR) Targets. For awards up to 100% of salary, 25% will vest for TSR of 5% p.a. increasing pro-rata to 100% vesting for TSR of 10% p.a. For awards between 100% and 200% of salary, 0% will vest for TSR of 10% p.a. increasing pro-rata to 100% vesting for TSR of 15% p.a.

On 4 March 2024 the executive Directors were awarded a cash-settled share-share based bonus scheme which will pay out in the event of a change of control within 12 months, subject to the discretion of the Remuneration Committee. A Stochastic model has been used to measure the fair value of this cash-settled share-based payment transaction. No expense has been recognised at the year end as the fair value of the scheme (£6k impact for FY24) is not considered material.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 12 Income tax credit

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
<b>Income tax</b>		
UK current year tax charge	167	108
Adjustment in respect of prior years	2	(7)
Total income tax	169	101
<b>Deferred tax</b>		
Current year	(853)	(2,437)
Adjustment in respect of prior years	(525)	(31)
Effect of changes in tax rates	-	(852)
Total deferred tax	(1,378)	(3,320)
Total tax credit in Consolidated Statement of Comprehensive income	(1,209)	(3,219)
<b>Other comprehensive income items</b>		
Deferred tax	-	47
<b>Factors affecting the tax charge for the year</b>		
Loss before taxation	(4,650)	(12,469)
Taxation at the average UK corporation tax rate of 25.0% (FY23: 19.0%)	(1,163)	(2,369)
<b>Tax effects of:</b>		
-Expenses not allowable in determining taxable profit	647	430
-Adjustment in respect of prior years	(523)	(38)
-Non-taxable income	(238)	(239)
-Share options	129	(172)
-Tax rate changes	-	(503)
-Super deduction adjustment	-	(292)
-Amounts not recognised	-	(90)
-Effect of overseas tax rates	(61)	54
Tax credit for the year	(1,209)	(3,219)

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The deferred tax asset at 31 March 2024 has been calculated using the corporation tax rate of 25% (FY23: 25%).

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 13 Earnings per share (EPS)

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

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
<b>Earnings</b>		
Statutory loss	(3,441)	(9,250)
Tax credit	(1,209)	(3,219)
Amortisation of acquired intangibles	5,229	8,183
Share-based payments	1,138	1,256
Exceptional costs	4,550	8,149
Exceptional income	(2,100)	-
Adjusted earnings before tax	4,167	5,119
Notional tax charge	(1,042)	(973)
Adjusted earnings	3,125	4,146
<b>Weighted average number of ordinary shares</b>		
	Number '000	Number '000
In issue	157,371	156,992
Held in treasury	(693)	(1,391)
For basic EPS calculations	156,678	155,601
Effect of potentially dilutive share options	5,129	3,678
For diluted EPS calculations	161,807	159,279
<b>EPS</b>		
	Pence	Pence
Basic	(2.20p)	(5.94p)
Adjusted	1.99p	2.66p
Basic diluted	(2.20p)	(5.94p)
Adjusted diluted	1.93p	2.60p

In line with the Group's policy, the notional tax charge above is calculated at a standard rate of 25% (FY23: 19%).

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 14 Dividends

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Final dividend for the year ended 31 March 2022	-	3,719
Interim dividend for the year ended 31 March 2023	-	1,874
Final dividend for the year ended 31 March 2023	<b>3,752</b>	-
	<b>3,752</b>	<b>5,593</b>

The Group paid an interim dividend for the year ended 31 March 2023 of 1.2p per ordinary share, with a total payment value of £1.9m.

The Group paid a final dividend in respect of the year to 31 March 2023 of 2.4p per ordinary share, with a total payment value of £3.8m. This was made up of £1.4m cash with the remainder in dividend shares (see Note 27 for further details).

The Group paid an interim dividend for the year ended 31 March 2024 of 1.2p per ordinary share, with a total payment value of £1.9m. This was paid on 18 April 2024.

A final dividend payment of 2.4p per share is expected to be paid on 24 January 2025, subject to approval at the Company’s AGM, to shareholders on the register at the close of business on 13 December 2024 with shares going ex-dividend on 12 December 2024. The last day for Dividend Reinvestment Plan elections is 2 January 2025.



“

The latest development on the IVR and call routing is the result of Redcentric listening to our requirements and developing to our needs. It’s key to our working relationship and why we value Redcentric.

”



# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 15 Intangible assets

	Goodwill £000	Customer contracts and related relationships £000	Trademarks and brands £000	Software and licences £000	Total £000
<b>Cost</b>					
At 1 April 2022	52,416	65,030	449	5,570	123,465
Additions	-	-	-	869	869
Additions on acquisition (Note 32)	8,224	15,100	200	-	23,524
Disposals	-	-	-	(135)	(135)
Exchange differences	-	-	-	(1)	(1)
At 31 March 2023	60,640	80,130	649	6,303	147,722
Additions	-	-	-	1,479	1,479
Disposals	-	-	-	(393)	(393)
Transfers from property, plant and equipment	-	-	-	261	261
<b>At 31 March 2024</b>	<b>60,640</b>	<b>80,130</b>	<b>649</b>	<b>7,650</b>	<b>149,069</b>
<b>Accumulated amortisation and impairment</b>					
At 1 April 2022	-	50,893	449	4,397	55,739
Charged in year	-	7,983	200	590	8,773
Disposals	-	-	-	(7)	(7)
At 31 March 2023	-	58,876	649	4,980	64,505
Charged in year	-	5,229	-	781	6,010
Disposals	-	-	-	(393)	(393)
Transfers from property, plant and equipment	-	-	-	64	64
<b>At 31 March 2024</b>	<b>-</b>	<b>64,105</b>	<b>649</b>	<b>5,432</b>	<b>70,186</b>
<b>At 31 March 2024</b>	<b>60,640</b>	<b>16,025</b>	<b>-</b>	<b>2,218</b>	<b>78,883</b>
At 31 March 2023	60,640	21,254	-	1,323	83,217

Amortisation of customer contracts has decreased by £2.8m to £5.2m in FY24. This is because one large customer contract was fully amortised at the end of FY23, while a second was fully amortised during FY24.

Customer contracts have a weighted average remaining amortisation period of 8 years and 9 months (FY23: 8 years and 6 months). There are no indicators of impairment at 31 March 2024.

Software and licences include £1.3m (FY23: £0.6m) of additions in relation to customer capital expenditure.

Included within software and licences is £0.5m (FY23: £nil) of assets financed under the Group's Asset Financing Facility. The Directors have exercised judgement in determining that there has been no sale of these assets under IFRS15 and therefore the assets are financed rather than representing a sale and leaseback arrangement.



# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 15 Intangible assets (continued)

Goodwill has been allocated to one cash-generating unit (CGU) at 31 March 2024 whereas in the prior year goodwill was allocated to two CGUs being IT Managed Services and Security Services. During FY24 the Security Services business, being the 7 Elements acquisition, was further integrated into Redcentric infrastructure and operations. At the year end management no longer believe it capable of generating independent cash flows from the Group.

Goodwill is tested annually for impairment and, to confirm whether an impairment of the goodwill is necessary, management compares the carrying value to the value in use. Other intangible assets are tested for impairment whenever events or a change in circumstances indicate carrying values may no longer be recoverable. Consideration for any impacts of climate-related risks to impairment is not deemed to affect the overall conclusions in the medium to long-term.

The value in use has been calculated using a Board approved five-year forecast cash flow projections to the period of 31 March 2029 comprising the detailed Group budget for FY25 and latest detailed forecast for FY26, with higher level assumptions applied for the outer years. A terminal value based on a perpetuity calculation using a 2.0% real growth rate was then added (FY23: 2.0% growth).

The key assumptions used in the impairment testing were as follows:

- New order intake consistent with that achieved in H2-FY24;
- Price increases in line with CPI;
- Overall gross margin percentage of c. 70% in line with historic trends;
- Electricity costs driven by near-term contracted prices and medium-term 3rd party price forecasts for energy;
- Operating costs (depending on nature) to increase in line with either revenue growth or CPI, factoring in any near-term licence inflation;
- Pre-tax discount rate of 10.87% (FY23: 11.2%) (post tax rate of 10.51% (FY23: 10.84%)) estimated using a weighted average cost of capital, adjusted to reflect current market assessments of the time value of money and the risks specific to the Group; and
- Terminal growth rate percentage is consistent with the market the entity operates in for real growth.

The Group has also considered that any cost implications of achieving net zero would not have a material impact on the assessment period.

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

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 16 Property, plant and equipment

	Leasehold improvements £000	Office fixtures and fittings £000	Vehicles and computer equipment £000	Assets under construction £000	Total £000
<b>Cost</b>					
At 1 April 2022	8,341	1,182	23,264	-	32,787
Additions	700	1,787	2,838	180	5,505
Additions on acquisition (Note 32)	3,330	6,725	1,665	-	11,720
Disposals	-	-	(909)	-	(909)
Exchange differences	-	4	4	-	8
At 31 March 2023	12,371	9,698	26,862	180	49,111
Additions	4,952	95	4,271	-	9,318
Disposals	(1,201)	(447)	(8,367)	-	(10,015)
Transfer to intangible assets	-	(261)	-	-	(261)
Transfer from right-of-use assets	-	-	1,618	-	1,618
Reclassification	180	-	-	(180)	-
Exchange differences	(8)	-	-	-	(8)
<b>At 31 March 2024</b>	<b>16,294</b>	<b>9,085</b>	<b>24,384</b>	<b>-</b>	<b>49,763</b>
<b>Accumulated depreciation</b>					
At 1 April 2022	5,449	622	21,344	-	27,415
Charged in year	1,107	1,450	2,079	-	4,636
On disposals	-	-	(71)	-	(71)
At 31 March 2023	6,556	2,072	23,352	-	31,980
Charged in year	1,715	2,051	2,323	-	6,089
On disposals	(1,201)	(447)	(8,365)	-	(10,013)
Transfer to intangible assets	-	(64)	-	-	(64)
Transfer from right-of-use assets	-	-	351	-	351
Exchange differences	-	(2)	-	-	(2)
<b>At 31 March 2024</b>	<b>7,070</b>	<b>3,610</b>	<b>17,661</b>	<b>-</b>	<b>28,341</b>
<b>Net book value</b>					
<b>At 31 March 2024</b>	<b>9,224</b>	<b>5,475</b>	<b>6,723</b>	<b>-</b>	<b>21,422</b>
At 31 March 2023	5,815	7,626	3,510	180	17,131

Vehicles and computer equipment includes additions of £2.8m (FY23: £2.6m) relating to customer capital expenditure.

Included within property, plant and equipment additions is £3.1m (FY23: £nil) of assets financed under the Group's Asset Financing Facility. The Directors have exercised judgement in determining that there has been no sale of these assets under IFRS15 and therefore the assets are financed rather than representing a sale and leaseback arrangement.

Similar arrangements previously accounted for as a sale and leaseback arrangement in the prior periods have been adjusted accordingly in the current year. Included within vehicles and computer equipment is a reclassification of £1.6m relating to financed assets that were incorrectly included in Note 17 as a right-of-use asset on the prior period Statement of Financial Position. A corresponding asset financing liability has also been recognised following a reclassification from a lease liability in the current period, as disclosed within Note 24. As the Directors do not consider the effect on the prior period Financial Statements to be material, this has been corrected in the current period.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 17 Right of use assets

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

	Land and buildings £000	Vehicles & computer equipment £000	Total £000
<b>Cost</b>			
At 1 April 2022	26,974	11,936	38,910
Additions	36,189	391	36,580
Additions on acquisition (Note 32)	3,911	-	3,911
Disposals	(629)	-	(629)
Exchange differences	(1)	-	(1)
At 31 March 2023	66,444	12,327	78,771
Additions	699	3,541	4,240
Transfer to property, plant and equipment	-	(1,618)	(1,618)
<b>At 31 March 2024</b>	<b>67,143</b>	<b>14,250</b>	<b>81,393</b>
<b>Accumulated depreciation</b>			
At 1 April 2022	13,620	8,252	21,872
Charged in year	8,676	1,941	10,617
At 31 March 2023	22,296	10,193	32,489
Charged in year	10,231	1,546	11,777
Transfer to property, plant and equipment	-	(351)	(351)
<b>At 31 March 2024</b>	<b>32,527</b>	<b>11,388</b>	<b>43,915</b>
<b>Net book value</b>			
<b>At 31 March 2024</b>	<b>34,616</b>	<b>2,862</b>	<b>37,478</b>
At 31 March 2023	44,148	2,134	46,282

Of the £4.2m right-of-use assets acquired in the year, £nil was funded using leases that would have previously been classified as finance leases under IAS17 (FY23: £nil).

Included in the net book value of land and buildings at 31 March 2024 is £8.2m right-of-use assets for dilapidations (FY23: £9.8m).

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 18 Deferred tax

Certain deferred tax assets and liabilities have been offset on the face of the Consolidated Statement of Financial Position. The following is the analysis of the deferred tax balances (before offset) for financial reporting purposes:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 Restated* £000
Deferred tax liabilities	(6,083)	(7,648)
Deferred tax assets	8,586	8,724
	<b>2,503</b>	<b>1,076</b>

\*The prior year restatement is a result of the change in accounting policy following the IAS 12 amendment that was applicable for periods commencing from 1 January 2023. As a result, the Group have restated the prior year comparative above and in notes 18.1 and 18.2 below for the purpose of the disclosure only. There is no impact on the Statement of Financial Position.

### 18.1 Deferred tax liabilities

	Acquisitions £'000	Property, plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2022 (restated*)	3,114	291	3,405
Recognised in Statement of Comprehensive Income	(1,409)	1,896	487
Movements arising from acquisitions	1,625	-	1,625
Adjustments in relation to prior year recognised in Statement of Comprehensive Income	-	282	282
Transfer from deferred tax assets <sup>1</sup>	-	1,849	1,849
At 31 March 2023 (restated*)	3,330	4,318	7,648
Recognised in Statement of Comprehensive Income	(1,107)	469	(638)
Adjustments in relation to prior year recognised in Statement of Comprehensive Income	(83)	(844)	(927)
<b>At 31 March 2024</b>	<b>2,140</b>	<b>3,943</b>	<b>6,083</b>

<sup>1</sup> This is moving a deferred tax liability position from the deferred tax asset table (18.2) to the deferred tax liability table.

Deferred tax liabilities include intangible assets from business acquisitions.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 18 Deferred tax (continued)

### 18.2 Deferred tax assets

	India £000	Share- based payments £000	Tax losses £000	Property, plant and equipment £000	Other timing differences £000	Total £000
<b>Cost</b>						
At 1 April 2022 (restated*)	47	521	1,978	3,561	1,297	7,404
Deferred tax acquired (Note 32)	-	-	-	(4,678)	154	(4,524)
Recognised in Statement of Comprehensive Income	-	120	2,114	(752)	2,115	3,597
Recognised in other comprehensive income	-	47	-	-	-	47
Adjustment in relation to prior year	-	-	78	20	253	351
Transfer to deferred tax liabilities <sup>1</sup>	-	-	-	1,849	-	1,849
At 31 March 2023 (restated*)	47	688	4,170	-	3,819	8,724
Recognised in Statement of Comprehensive Income	3	134	544	-	(467)	214
Recognised in equity	-	78	-	-	-	78
Adjustments in relation to prior year recognised in Statement of Comprehensive Income	-	(15)	156	-	(542)	(401)
Adjustment in relation to prior year recognised in equity	-	(29)	-	-	-	(29)
<b>At 31 March 2024</b>	<b>50</b>	<b>856</b>	<b>4,870</b>	<b>-</b>	<b>2,810</b>	<b>8,586</b>

<sup>1</sup>This is moving a deferred tax liability position from the deferred tax asset table to the deferred tax liability table (18.1).

Deferred tax assets have been recognised based on the ability of future offset against deferred tax liabilities or against future taxable profits. The assessment of future taxable profits is based on forecasts and assumptions consistent with those used for our going concern basis of preparation, as set out in Note 1.1. The Group is expected to return to profitability following the integration of the acquired businesses as the growth strategies and cost mitigations, as described in Note 1.1 are delivered.

## 19 Inventories

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
<b>Goods for resale</b>	<b>4,187</b>	<b>3,716</b>

Goods for resale includes components required to deliver Managed Services to customers. The cost of inventories charged to cost of sales in the year totalled £4.7m (FY23: £6.0m).

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 20 Trade and other receivables

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Trade receivables	19,390	21,456
Less: provision for impairment of trade receivables and credit notes	(1,200)	(1,251)
Trade receivables – net	18,190	20,205
Other receivables	1,084	2,363
Prepayments	8,245	9,180
Contract acquisition asset	4,137	2,938
Accrued income	5,194	4,568
	<b>36,850</b>	<b>39,254</b>
Current	<b>33,543</b>	39,254
Non-current	<b>3,307</b>	-
	<b>36,850</b>	<b>39,254</b>

During the year, the contract acquisition asset was amortised by £1.7m (FY23: £1.5m).

Trade debtor days were 36 at 31 March 2024 compared to 46 at 31 March 2023. Trade debtor days are calculated as gross trade debtors divided by revenue (incl. VAT) multiplied by 365.

Non-current assets of £3.3m are comprised of a prepayment balance totalling £1.6m and a contract acquisition asset balance totalling £1.7m. Both are expected to be recovered over a period of greater than one year from the balance sheet date.

## 21 Credit quality of financial assets

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

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Trade receivables	18,190	20,205
Other receivables	1,084	2,363
Cash and cash equivalents	3,130	1,366
	<b>22,404</b>	<b>23,934</b>



# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 21 Credit quality of financial assets (continued)

### 21.1 Credit quality of trade receivables

The credit quality of trade receivables is reviewed at each reporting date using a provision matrix to measure expected credit loss (ECL). The provision is calculated by management on a specific basis based on their best estimate of recoverability considering the age and specific circumstances relating to the debtor. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable noted below. The Group does not hold any collateral as security.

The following table provides information about the exposure to credit risk and ECL's for trade receivables from individual customers as at 31 March 2024. For the purpose of calculating the provision, any credit balances within the aging categories have been excluded when applying the loss rate.

	Year ended 31 March 2024 £000	Weighted average loss rate	Loss Allowance £000	Credit impaired	Year ended 31 March 2023 £000
Current	14,008	0.5%	(72)	No	18,450
1 to 30 days overdue	2,928	1.0%	(25)	No	2,212
31 to 60 days overdue	1,794	2.0%	(30)	No	557
61 to 90 days overdue	383	5.0%	(24)	No	283
91 to 180 days overdue	320	18.0%	(79)	No	194
> 180 days overdue	(43)	25.0%	(78)	No	(240)
<b>Gross trade debtors</b>	<b>19,390</b>		<b>(308)</b>		<b>21,456</b>
Provision	(1,200)				(1,251)
<b>Net trade debtors</b>	<b>18,190</b>				<b>20,205</b>

At 31 March 2024 a total ECL provision of £1.2m (FY23: £1.3m) was recognised. This provision consisted of £0.3m (FY23: £0.1m) in relation to trade receivables, £0.4m (FY23: £0.3m) provided for within the credit note provisions and £0.6m (FY23: £0.8m) regarding inaccurate billing. No provision has been made against accrued income in the year ended 31 March 2024 (FY23: £nil) as it is considered immaterial.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 21 Credit quality of financial assets (continued)

### 21.1 Credit quality of trade receivables (continued)

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

	Provision in relation to FY19 and earlier £000	Provision in relation to FY20 £000	Provision in relation to FY21 £000	Provision in relation to FY22 £000	Provision in relation to FY23 £000	Provision in relation to FY24 £000	Total Provision £000
At 1 April 2022	28	34	290	532	-	-	884
Creation of provision	-	-	-	1	2,122	-	2,123
Utilisation of provision	(28)	(34)	(290)	(528)	(876)	-	(1,756)
At 31 March 2023	-	-	-	5	1,246	-	1,251
Creation of provision	-	-	-	-	1	2,236	2,237
Utilisation of provision	-	-	-	(5)	(987)	(1,296)	(2,288)
<b>At 31 March 2024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>260</b>	<b>940</b>	<b>1,200</b>

### 21.2 Credit quality of cash and cash equivalents

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

## 22 Trade and other payables

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Trade payables	<b>16,287</b>	16,520
Other payables	<b>612</b>	1,892
Taxation and social security	<b>3,085</b>	5,076
Accruals	<b>12,187</b>	11,759
Deferred income	<b>9,983</b>	8,331
	<b>42,154</b>	43,578

Trade payable days were 36 at 31 March 2024 compared to 42 as at 31 March 2023. Trade payable days are calculated as trade payables divided by total purchases (cost of sales and operating expenditure) multiplied by 365.

Of the deferred income balance of £8.3m at 31 March 2023, £6.9m has been recognised as revenue in the year ended 31 March 2024.

# Notes to the Consolidated Financial Statements

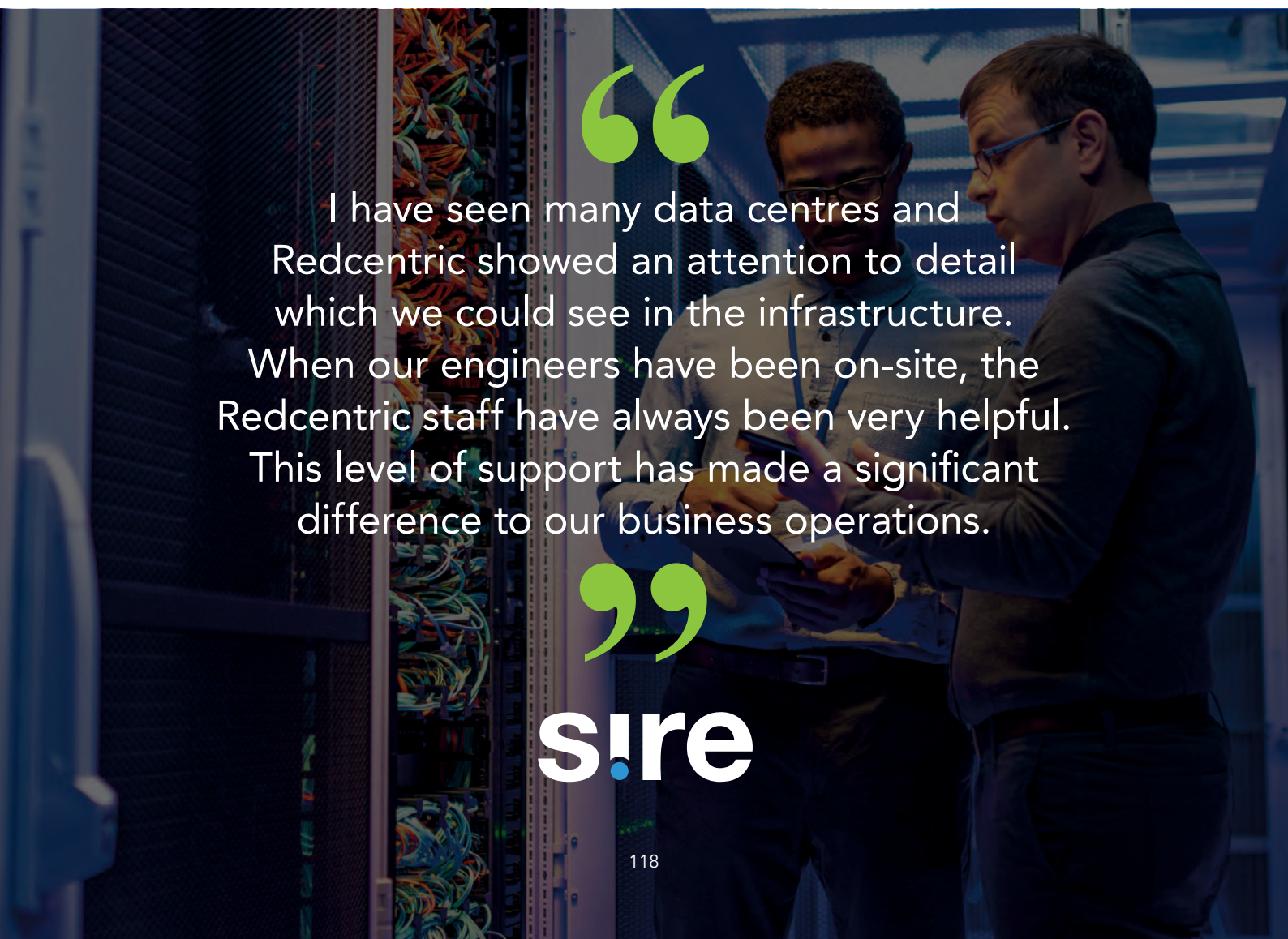
for the year ended 31 March 2024 (continued)

## 23 Contingent consideration

	Year ended 31 March 2024	Year ended 31 March 2023
	£000	£000
<b>Contingent consideration due on acquisitions within one year:</b>		
- 7 Elements Limited	-	450
- Sungard DCs	-	2,540
	-	2,990

Contingent consideration is based on the Directors’ best estimate of future payments due at 31 March 2024. Contingent consideration is level 3 within the fair value hierarchy.

During FY24, the contingent consideration for the 7 Elements and Sungard acquisitions were finalised, and the final settlements totalled £0.5m and £0.4m respectively. Consequently, a £2.1m credit has been recognised as a gain on settlement of contingent consideration in exceptional items (see Note 9 for further details) within the Statement of Comprehensive Income.



“

I have seen many data centres and Redcentric showed an attention to detail which we could see in the infrastructure. When our engineers have been on-site, the Redcentric staff have always been very helpful. This level of support has made a significant difference to our business operations.

”

**sire**

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 24 Borrowings

	Year ended 31 March 2024	Year ended 31 March 2023
	£000	£000
<b>Current</b>		
Lease liabilities	8,903	10,804
Term loans	21	475
Asset financing liabilities	1,128	-
	<b>10,052</b>	<b>11,279</b>
<b>Non-current</b>		
Lease liabilities	23,077	29,400
Term loans	-	20
Asset financing liabilities	2,481	-
Bank loans	39,885	33,631
	<b>65,443</b>	<b>63,051</b>

At 31 March 2024, the Group was party to £87.0m of bank facilities with an original maturity date of 25 April 2025. In March 2024 these debt facilities were extended at the Group's request, with a new maturity date of 26 April 2026. As part of this extension of the Revolving Credit Facility and Asset Financing Facility term, there were no material changes to the financial debt covenants or to other terms and conditions of the agreements. The facilities comprise a Revolving Credit Facility ("RCF") of £80.0m (net £40.0m utilised at 31 March 2024) and a £7.0m Asset Financing Facility ("AFF") (£3.6m utilised at 31 March 2024). The AFF is provided by Lombard North Central plc who are party to the overall banking facilities. Certain intangible assets (see Note 15) and property plant and equipment (Note 16) are financed under this arrangement. Term loans constitute financing arrangements for services and include a supplier loan of £21k for an unsecured three-year maintenance contract. Whilst not linked to the bank facilities, it contributes toward permitted indebtedness within this agreement, which cannot exceed £2.5m at any given time.

The RCF is provided by a four-bank group of NatWest, Barclays, Bank of Ireland and Silicon Valley Bank (now part of HSBC UK Group), with Lombard Technology Services Ltd providing the Asset Financing Facility. The borrowing cost of the facility is determined by the level of the Group's leverage and has a borrowing cost of 235 basis points over SONIA at the Group's current leverage levels. The Group is required to comply with financial covenants for adjusted leverage (net debt to adjusted EBITDA), cashflow cover (adjusted cashflow to debt service, where adjusted cashflow is defined as adjusted EBITDA less tax paid, dividend payments, IFRS16 lease repayments and cash capital expenditure) and provisions relating to guarantor coverage such that guarantors must exceed a prescribed threshold of the Group's gross assets, revenue and Adjusted EBITDA. Covenants are tested quarterly each year. No security has been provided.

The RCF is drawn in short to medium-term tranches of debt that are repayable within 12 months of draw-down. These tranches of debt can be rolled over provided certain conditions are met, including compliance with all loan terms. The Group considers that it is unlikely it would not be in compliance and therefore, be unable to exercise its right to roll over the debt. The Board therefore believe the Group has the ability and the intent to roll over the drawn RCF amounts when due and consequently has presented the RCF as a non-current liability. In addition to the financial covenants, the facility requires the Group to file audited financial accounts within 120 days of the year end date alongside an audited compliance certificate.

On the 14 August 2024 a modification to the bank facilities was agreed to increase the Asset Financing Facility to £10.0m to ensure adequate credit availability for future investment relating to new customer contracts. All other elements of the facility remained the same.

Lease liabilities are comprised of secured and unsecured agreements. Secured lease liabilities of £0.8m and secured term loans are secured against assets included within right-of-use assets with a carrying value of £0.8m (FY23: £1.8m).

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 24 Borrowings (continued)

### 24.1 Reconciliation of net debt

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
<b>Revolving Credit Facility</b>		
Drawdown on facility	16,500	55,500
Repayment of facility	(10,500)	(21,500)
Finance costs in relation to RCF (non-cash)	3,333	1,804
Interest paid	(3,288)	(1,751)
Loan arrangement fees paid	-	(713)
Release of deferred arrangement fees (non-cash)	209	291
Movement in Revolving Credit Facility	6,254	33,631
Opening balance	33,631	-
Closing balance	39,885	33,631
<b>Lease liabilities</b>		
New leases entered into (non-cash)	4,238	28,314
Transferred to asset financing liabilities (non-cash)	(1,825)	-
Leases acquired	-	1,976
IFRS16 leases modifications	-	(629)
Principal element of lease payments	(10,638)	(6,901)
Interest element of lease payments (non-cash)	1,328	1,218
Interest paid	(1,328)	(1,218)
Movement in lease liabilities	(8,225)	22,760
Opening balance	40,205	17,445
Closing balance	31,980	40,205
<b>Term loans</b>		
Repayment of loans	(474)	(508)
Finance costs in relation to term loans (non-cash)	4	23
Interest paid	(4)	(24)
Movement in term loans	(474)	(509)
Opening balance	495	1,004
Closing balance	21	495

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 24 Borrowings (continued)

### 24.1 Reconciliation of net debt (continued)

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
<b>Asset financing liabilities</b>		
Transferred from lease liabilities (non-cash)	1,825	-
Drawdown on facility	2,419	-
Repayment of loans	(635)	-
Finance costs (non-cash)	267	-
Interest paid	(267)	-
Movement in asset financing liabilities	3,609	-
Opening balance	-	-
Closing balance	3,609	-
<b>Cash</b>	<b>3,130</b>	<b>1,366</b>
<b>Net debt</b>	<b>72,365</b>	<b>72,965</b>

All lines included above are cash unless otherwise stated.

### 24.2 Terms and repayment schedule

	Currency	Nominal interest rate	Year of maturity
RCF	GBP	SONIA + 2.35%	2026
Term Loans	GBP	1.85%	2025
Leases	GBP	4.0% - 7.2%	2024-2040
AFF	GBP	6.5% - 7.64%	2024-2029

### 24.3 Lease liabilities

	Present value as at 31 March 2024 £000	Finance charges £000	Future lease payments as at 31 March 2024 £000	Present value as at 31 March 2023 £000	Finance charges £000	Future lease payments as at 31 March 2023 £000
Not later than 1 year	8,903	1,133	10,036	10,804	1,420	12,224
After 1 year but not more than 5 years	17,560	2,292	19,852	20,565	2,973	23,538
After more than 5 years	5,517	240	5,757	8,833	553	9,386
	<b>31,980</b>	<b>3,665</b>	<b>35,645</b>	<b>40,202</b>	<b>4,946</b>	<b>45,148</b>



# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 25 Liquidity risk

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

	Less than 1 year £000	1 - 5 years £000	More than 5 years £000	Total £000
<b>At 31 March 2024</b>				
Bank loans	3,392	43,625	-	47,017
Leases	10,036	19,852	5,757	35,645
Asset financing liabilities	1,199	2,581	-	3,780
Term loans	21	-	-	21
Trade payables	16,287	-	-	16,287
Other payables	612	-	-	612
	<b>31,547</b>	<b>66,058</b>	<b>5,757</b>	<b>103,362</b>
<b>At 31 March 2023</b>				
Bank loans	2,755	35,700	-	38,455
Leases	12,224	23,538	9,386	45,148
Term loans	475	20	-	495
Trade payables	16,520	-	-	16,520
Other payables	1,892	-	-	1,892
	<b>33,866</b>	<b>59,258</b>	<b>9,386</b>	<b>102,510</b>

The interest accrual for the future forecasted borrowings in each category is dependent on the expected level of funding required each month, with an applied interest rate of SONIA (forecast to be 5.5%) above the margin (which is a fixed percentage depending on the Group's adjusted leverage in line with the facility agreement).

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 26 Provisions

	Dilapidations provision £000
At 1 April 2022	3,883
Additional provisions created during the period	8,426
Provisions acquired from business combination	692
At 31 March 2023	13,001
Additional provisions created during the period	351
Utilised during the period	(978)
<b>At 31 March 2024</b>	<b>12,374</b>
<b>FY24 Analysed as:</b>	
<b>Current</b>	<b>892</b>
<b>Non-current</b>	<b>11,482</b>
	<b>12,374</b>
<b>FY23 Analysed as:</b>	
Current	1,841
Non-current	11,160
	13,001

The dilapidations provision represents the estimated costs associated with returning certain leasehold properties to the original condition upon exiting the lease. Given there is estimation in determining the quantum of provisions to be recognised a third-party expert was engaged to determine appropriate estimates. This is not considered to be a critical estimate as it is not expected to be subject to material reversal in future periods given the specialist input used to inform the estimate, and the nature of the estimate.

Dilapidation provisions have maturity dates from 2024 to 2040 and are therefore discounted to present value using a risk-free interest rate (UK Government Bond rates) at the year end, depending on the length of the related lease. The discount rates used to calculate the initial provision ranges from 1.85% to 2.63%. After initial measurement, any subsequent adjustments to the dilapidations provision will be recorded against the original amount included in right-of-use assets with a corresponding adjustment to future depreciation charges. The utilisation of the dilapidations provision will be in line with the end of the leasehold properties lease terms to which the provisions relate. The increase of £0.4m through additional provisions created has resulted from the net financing movement in the year.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 27 Share capital

	Ordinary shares of 0.1p each		Share premium
	Number	£000	£000
At 1 April 2022 and 31 March 2023	156,991,982	157	73,267
New shares issued	1,892,937	2	2,382
<b>At 31 March 2024</b>	<b>158,884,919</b>	<b>159</b>	<b>75,649</b>

On 19 January 2024, 1,892,937 new ordinary shares were issued in part satisfaction of the final dividend for the year ended 31 March 2023 of 2.4 pence per share for certain shareholders representing 63.4% of the Company's total voting rights. The shares were issued at 125.8961 pence per ordinary share being the five-day volume weighted average price of an ordinary share at the close of business on 18 January 2024 (the last business day prior to the dividend payment date). The dividend shares represented in aggregate 1.19% of the enlarged issued share capital of the Company.

The total shares held in treasury at 31 March 2024 was 632,703 at an average cost of £1.23 per share therefore, at a value of £779,224 (FY23: 728,722 shares at an average cost of £1.23, for a total value of £897,479).

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

The common control reserve represents the difference between the net assets acquired and the fair value of consideration transferred on the acquisition of Redcentric Holdings Limited via demerger from Redstone plc in 2013.

## 28 Share-based payments

At 31 March 2024, the Group had the following share-based payment arrangements in place:

### Long Term Incentive Plan (LTIP)

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

### Performance related bonus

On 4 March 2024 the Executive Directors were awarded a cash-settled share-share based bonus scheme which will pay out in the event of a change of control of the Company within 12 months, subject to the discretion of the Remuneration Committee. A Stochastic model has been used to measure the fair value of this cash-settled share-based payment transaction. No expense has been recognised at the year end as the fair value of the scheme (£6k impact for FY24) is not considered material.

### Save-As-You-Earn (SAYE)

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

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 28 Share-based payments (continued)

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

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Equity-settled share-based charge on LTIP scheme	935	861
Equity-settled share-based charge on SAYE plan	118	182
	<b>1,053</b>	1,046
National Insurance arising on share options	85	213
	<b>1,138</b>	1,256

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

	LTIP (number)	SAYE (number)	Total (number)	WAEP (pence)
Balance at 31 March 2022	3,681,300	1,394,731	5,076,031	26.1p
Issued in the period	2,116,726	562,199	2,678,925	20.2p
Forfeited in the period	(159,379)	-	(159,379)	0.1p
Cancelled in the period	(264,670)	(338,974)	(603,644)	59.1p
Exercised in the year	(1,080,567)	(360,914)	(1,441,481)	15.9p
Lapsed in the year	-	(48,832)	(48,832)	102.7p
Balance at 31 March 2023	4,293,410	1,208,210	5,501,620	22.3p
Issued in the period	2,040,861	352,068	2,392,929	15.0p
Forfeited in the period	(459,384)	-	(459,384)	0.1p
Cancelled in the period	(737,708)	(189,084)	(926,792)	20.4p
Exercised in the year	-	(96,019)	(96,019)	119.6p
<b>Balance at 31 March 2024</b>	<b>5,137,179</b>	<b>1,275,175</b>	<b>6,412,354</b>	<b>19.9p</b>

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 28 Share-based payments (continued)

The weighted average remaining contractual life for the share options outstanding at 31 March 2024 is 7 years and 5 months (31 March 2023: 7 years and 6 months). The range of exercise prices for options outstanding at the end of the year was 0.1p to 119.6p. Share options outstanding at the end of the year with approximate remaining average life are as follows:

Exercise price (pence)	Number, year ended 31 March 2024	Life at 31 March 2024	Number, year ended 31 March 2023	Life at 31 March 2023
0.10	5,137,179	8 years 10 months	4,293,410	8 years 11 months
119.60	34,013	-	143,577	1 year 0 months
108.33	91,412	-	93,238	2 year 0 months
99.87	434,155	1 year 4 months	496,873	2 years 4 months
96.07	375,973	1 year 11 months	474,522	2 years 11 months
101.33	339,622	3 years 0 months	-	-
	<b>6,412,354</b>	<b>7 years 5 months</b>	<b>5,501,620</b>	<b>7 years 6 months</b>

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

	31 March 2024 Number of options	31 March 2024 WAEP	31 March 2023 Number of options	31 March 2023 WAEP
Performance conditions satisfied	25,000	0.1p	25,000	0.1p
Subject to performance conditions	5,112,179	0.1p	4,268,410	0.1p
Save-As-You-Earn	1,275,175	1.0p	1,208,210	101.4p
Outstanding at the end of the year	<b>6,412,354</b>	<b>19.9p</b>	<b>5,501,620</b>	<b>22.3p</b>

## 29 Capital commitments

At 31 March 2024, the Group entered into contracts to purchase property plant and equipment totalling £147k (FY23: £nil).

## 30 Pensions

The Group operates a defined contribution pension scheme for eligible employees. The charge for the year ended 31 March 2024 was £1.4m (FY23: £1.2m). At the year end, there was a pension creditor of £0.3m (FY23: £0.3m).

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 31 Subsidiaries

The undertakings whose results and financial position are consolidated within the Group Financial Statements at 31 March 2024 are as follows:

	Principal activity	Country of incorporation	% of ordinary share capital owned
<b>Held directly by Redcentric plc</b>			
Redcentric Solutions Limited	Managed Services	England and Wales	100%
<b>Held indirectly</b>			
Redcentric Solutions Private Limited	Support Services	India	100%
Redcentric Support Services Private Limited	Support Services	India	100%
Piksel Industry Solutions Limited	Dormant	England and Wales	100%
7 Elements Limited	Dormant	Scotland	100%
Hotchilli Internet Limited	Dormant	England and Wales	100%
4D Data Centres Limited	Dormant	England and Wales	100%

All companies have a registered office of Central House, Beckwith Knowle, Harrogate HG3 1UG, except Redcentric Solutions Private Limited and Redcentric Support Services Private Limited which have a registered office of 8th Floor, My Home Twitza, Plot No. 30/A Sy No. 83/1, TSIC Knowledge City, Raidurg, Hyderabad Rangareddy Telangana 500081 INDIA, and 7 Elements Limited which has a registered office of 4-5 Lochside Way, Edinburgh Park, Edinburgh, Scotland, EH12 9DT.

On 31 January 2024, the trade, assets and liabilities of 7 Elements Limited were hived into the Group's trading subsidiary Redcentric Solutions Limited. The company was therefore dormant at the year end.

## 32 Business combinations in prior period

### 4D Data Centres

On 27 June 2022, the Group's trading subsidiary Redcentric Solutions Limited acquired 100% of the share capital of 4D Data Centres Limited ("4D") for £10.1m consideration paid in cash. The business provides colocation, cloud and connectivity services to mid-market customers. The primary purpose of the business combination was to scale the Group's existing revenues in this area with significant synergies expected as the acquisition was integrated into the Group. Management considered signing of the share purchase agreement (SPA) on the 27 June 2022 as the change of control and therefore, acquisition date for the transaction.

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	£000s
Cash	9,842
Deferred consideration <sup>1</sup>	162
True up payment (deferred) <sup>2</sup>	119
	<b>10,123</b>

<sup>1</sup> The deferred consideration was a delayed R&D claim refund due from HMRC which was to be paid to the Shareholders on receipt.

<sup>2</sup> The true up payment was the additional amount due following the update to fair values at the time of completion, when the original cash transfer was based on estimates.

The Group incurred acquisition related costs of £0.2m on legal fees, due diligence costs and direct integration costs in FY23. These costs have been included in exceptional items within the prior year column in Note 9.



# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 32 Business combinations in prior period (continued)

The following table summarises the recognised amounts of assets and liabilities assumed as at the date of acquisition:

	Fair value £000s
Property, plant and equipment	2,089
Customer relationships	6,300
Brand	200
Right-of-use assets	1,287
Trade and other receivables	920
Cash and cash equivalents	1,053
Deferred tax	(1,787)
Trade and other payables	(1,647)
Deferred income	(764)
IFRS 16 leases	(1,976)
Provisions	(692)
Corporation tax receivable	186
<b>Total identifiable net assets acquired</b>	<b>5,169</b>
<b>Goodwill</b>	<b>4,954</b>
<b>Total consideration</b>	<b>10,123</b>

The goodwill arising on acquisition represented the future income from new customers, the potential to cross-sell existing Group products to the existing 4D customer base, as well as the assembled workforce which was expected to increase the Group's competence in key growth areas of the Security Services sector.

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 32 Business combinations in prior period (continued)

The fair value of the acquired customer relationships was £6.3m. To estimate the fair value of the customer relationships intangible asset, a multi-period excess earnings "MEEM" approach was adopted. This approach considered the present value of cash flows expected to be generated by the customer relationships, excluding any cash flows related to contributory assets.

On 28 February 2023, the trade, assets and liabilities of 4D were hived into the Group's trading subsidiary Redcentric Solutions Limited. For the 8 months ended 28 February 2023, 4D contributed revenue of £5.3m and profits, before allocation of group overheads, share based payments and tax, of £1.1m to the Group's results in FY23.

### Sungard

#### Consulting

On 7 June 2022, the Group's trading subsidiary Redcentric Solutions Limited acquired the consulting business from Sungard Availability Services (UK) Limited (in administration) for £4.2m consideration paid in cash. The business provides services in respect of business continuity, cloud and infrastructure, cyber resilience, disaster recovery and hybrid cloud transformation services alongside the provision and operation of cloud related services. Management considered signing of the Agreement for the sale of assets as the change of control and therefore, acquisition date for the transaction. No assets were acquired or liabilities assumed from the Consulting business transaction.

#### Data Centres

On 6 July 2022, the Group's trading subsidiary Redcentric Solutions Limited acquired certain business and assets relating to three data centres "DCs" from Sungard Availability Services (UK) Limited (in administration) for initial consideration of £10.1m paid in cash and a cash prepayment of £3.4m for a payment made to the administrators in advance for a license to occupy on the three DCs, and contingent consideration with a maximum potential value of £19.0m depending on customer retention and certain performance criteria.

The DCs and Consulting acquisitions were treated as a single transaction. The resulting change due to this treatment as a single transaction was that the goodwill from the acquisitions was considered in aggregate rather than separately.

The following table summarises the acquisition date fair value of each major class of consideration transferred for the combined transaction:

	£000s
Cash	14,320
Prepayment (paid in cash)	3,369
Contingent consideration <sup>3</sup>	2,540
	<b>20,229</b>

<sup>3</sup> The contingent consideration was an additional amount based on an agreed sliding scale threshold of customers committing to long-term contracts with the business post-acquisition, determined by the recurring monthly revenue value by customer and by each of the three data centres. This amount was the Board's best estimate as at the acquisition date of the amount due as contingent consideration, discounted to present value.

The Group incurred acquisition related costs of £0.3m on legal fees, due diligence costs and direct integration costs in FY23. These costs have been included in exceptional items within the prior year column in Note 9.

During FY24, the contingent consideration was finalised, and the final settlement totalling £0.4m was paid. Consequently, a £2.1m credit has been recognised as a fair value adjustment to contingent consideration in exceptional items (Note 9).

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 32 Business combinations in prior period (continued)

The following table summarises the recognised amounts of assets and liabilities assumed as at the date of acquisition:

	Fair value £000s
Property, plant and equipment	9,630
Customer relationships	8,800
Right-of-use assets	2,624
Prepayments	745
Deferred tax	(4,362)
Accruals	(185)
Other creditors	(293)
<b>Total identifiable net assets acquired</b>	<b>16,959</b>
<b>Goodwill</b>	<b>3,270</b>
<b>Total consideration</b>	<b>20,229</b>

The goodwill arising on acquisition represented the future income from new customers and the potential to cross-sell existing Group products to the existing Sungard customer base, which was expected to increase the Group's competence in key growth areas of the Security Services sector.

The fair value of the acquired customer relationships was £8.8m. To estimate fair value of the customer relationships intangible asset, a multi-period excess earnings "MEEM" approach was adopted, and this approach considered the present value of cash flows expected to be generated by the customer relationships, excluding any cash flows related to contributory assets.

The DCs earned revenue of £36.3m and profits, before allocation of group overheads, share based payments and tax, of £2.5m in the period since acquisition in FY23.

The consulting business earned revenue of £0.6m and profits, before allocation of group overheads, share-based payments and tax, of £0.2m in the period since acquisition in FY23.

The net cash flow for the acquisitions were as follows:

	£000s
Cash paid for 4D	10,123
Cash paid for Sungard, including prepayment	17,689
Less: cash acquired	(1,053)
Less: Pikel deferred consideration	(153)
	<b>26,606</b>

# Notes to the Consolidated Financial Statements

for the year ended 31 March 2024 (continued)

## 33 Related parties

Directors' emoluments are disclosed in the Annual Remuneration Report on page 65 and compensation of key management personnel is disclosed in Note 11.

Oliver Scott (non-independent Non-Executive Director) is a beneficial owner of Kestrel Opportunities, who held 16,715,305 ordinary shares in the Company as at 31 March 2024.

Nick Bate (independent Non-Executive Chairman) is a Director of and investor in Europa Communications Limited. During FY24 Redcentric Solutions Limited incurred costs of £21,360 (FY23: £nil) in respect of trading with Europa Communications Limited, and at the year end there was an outstanding balance due to this supplier of £5,385 (FY23: £nil). The balance at the year end is included in accruals, within trade and other payables.

There were no other transactions with related parties in the year to 31 March 2024. In the previous year to 31 March 2023, the only related party transactions were in respect of Directors' emoluments and compensation of key management personnel.

## 34 Subsequent events

On the 14 August 2024 a modification to the bank facilities was agreed to increase the Asset Financing Facility to £10.0m to ensure adequate credit availability for future investment relating to new customer contracts. All other elements of the facility remained the same.



What we were looking for was like for like – we wanted to switch over to a predictable plug and play service. But what Redcentric provided was much more for less.





“

Redcentric is a name we can trust and a name that our NHS customers will trust. You bring in a great service, and a great team behind that as well.

”

**FUJIFILM**  
Value from Innovation

# Redcentric plc

## Company Balance Sheet as at 31 March 2024

	Note	31 March 2024 £000	31 March 2023 £000
<b>Fixed assets</b>			
Investments	2	106,149	105,096
Debtors	3	562	406
		<b>106,711</b>	<b>105,502</b>
<b>Current liabilities</b>			
Creditors – amounts falling due within one year	4	(19,359)	(21,607)
Net current liabilities		<b>(19,359)</b>	<b>(21,607)</b>
Net assets		<b>87,352</b>	<b>83,895</b>
<b>Capital and reserves</b>			
Called up share capital	5	159	157
Share premium account	5	75,649	73,267
Share option reserve		9,940	8,887
Own shares held in treasury		(779)	(898)
Retained earnings:			
At the beginning of the year		2,482	9,621
Profit for the year		3,656	-
Other changes in retained earnings		(3,755)	(7,139)
		<b>2,383</b>	<b>2,482</b>
<b>Total shareholders' funds</b>		<b>87,352</b>	<b>83,895</b>

The Notes on pages 135 to 141 are an integral part of these Financial Statements.

The Financial Statements of Redcentric Plc (Registration Number 08397584) on pages 133 to 134, and the Notes to these Financial Statements on pages 135 to 141 were approved by the Board on 15 August 2024 and are signed on its behalf by:

**David Senior**

Chief Financial Officer



# Company Statement of Changes in Equity

for the year ended 31 March 2024

	Called up Share Capital £000	Share Premium £000	Share option reserve £000	Own shares held in treasury £000	Retained Earnings £000	Total shareholders' funds £000
Balance at 1 April 2022	157	73,267	7,843	(2,673)	9,621	88,215
<b>Transactions with owners</b>						
Dividend paid to shareholders	-	-	-	-	(5,593)	(5,593)
Share option exercises	-	-	-	1,775	(1,546)	229
Share-based payments	-	-	1,044	-	-	1,044
At 31 March 2023	157	73,267	8,887	(898)	2,482	83,895
Profit for the period	-	-	-	-	3,656	3,656
<b>Transactions with owners</b>						
Dividend paid to shareholders (Note 5)	-	-	-	-	(3,752)	(3,752)
Issue of new shares (Note 5)	2	2,382	-	-	-	2,384
Share option exercises	-	-	-	119	(3)	116
Share-based payments (Note 2)	-	-	1,053	-	-	1,053
<b>At 31 March 2024</b>	<b>159</b>	<b>75,649</b>	<b>9,940</b>	<b>(779)</b>	<b>2,383</b>	<b>87,352</b>

The Notes on pages 135 to 141 are an integral part of these Financial Statements.

# Notes to the company Financial Statements

for the year ended 31 March 2024

## 1 Accounting policies

These separate Financial Statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council (FRC). Accordingly, these Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. These policies have all been applied consistently throughout the year unless otherwise stated.

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

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

As the Consolidated Financial Statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

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

The accounting policies set, unless otherwise stated, have been applied consistently to all periods presented in these Financial Statements.

### 1.1 Investments

Investments in subsidiaries are carried at cost less impairment which is based on the fair value at acquisition. Investments are reviewed for impairment whenever events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying amounts exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

# Notes to the company Financial Statements

for the year ended 31 March 2024 (continued)

## 1 Accounting policies (continued)

### 1.2 Taxation

The taxation expense charged in the Statement of Comprehensive Income represents the sum of the current tax expense and the deferred tax expense.

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Company relies on the same forecast assumptions used elsewhere in the Financial Statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the related asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income, except where the underlying transaction relates directly to equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and the Company intends to settle current tax liabilities and assets on a net basis.

# Notes to the company Financial Statements

for the year ended 31 March 2024 (continued)

## 1 Accounting policies (continued)

### 1.3 Dividends

Dividends payable to equity shareholders are included in the Financial Statements within 'other creditors' when a final dividend is approved by shareholders in a general meeting. Interim dividends to equity shareholders approved by the Board during the financial year are not included in the Financial Statements until paid.

Dividends receivable from the Company's investments are recorded in the Company Income Statement once the dividend has been declared and approved by the Board.

### 1.4 Provisions

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

### 1.5 Treasury shares

Redcentric Plc shares held by the Company are deducted from equity as "treasury shares" and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to share premium. No gain or loss is recognised in the Company Income Statement on the purchase, sale, issue or cancellation of equity shares.

### 1.6 Share-based payments

#### Equity-settled transactions

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

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

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

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

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

# Notes to the company Financial Statements

for the year ended 31 March 2024 (continued)

## 1 Accounting policies (continued)

### 1.6 Share-based payments (continued)

In respect of equity-settled transactions with employees, the Company grants rights to its equity instruments to employees of the wider Group. The Group's subsidiaries are the receiving entities for such arrangements as they receive the related services from employees, however such awards are ultimately settled by the parent Company. As the Company receives services indirectly through its subsidiaries (with such services increasing the value of the subsidiary and hence the Company's investment in the subsidiary), the Company recognises in equity the equity-settled share-based payment amount, with a corresponding increase in the cost of the Company's investment in the subsidiary.

### 1.7 Subsidiaries

For the year ended 31 March 2024 the following companies are exempt from audit under s479A of the Companies Act 2006 (the Act) as Redcentric plc will provide a guarantee under s479C of the Act and their results are included in its Consolidated Financial Statements.

- Pikel Industry Solutions Limited (03048367)
- 7 Elements Limited (SC382475)
- 4D Data Centres Limited (04592242)

### 1.8 Intra-group financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be in the scope of IFRS 9 and accounts for them as such. Financial guarantee contracts issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

### 1.9 Key judgements and sources of estimation uncertainty

There were no critical accounting judgements that would have a material effect on the amounts recognised in the Company's Financial Statements or key sources of estimation uncertainty at the balance sheet date that would have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year. Impairment reviews show significant headroom and there are no additional indicators to suggest that the Company's investments should be impaired.

### 1.10 Parent company profit and loss account

As permitted by Section 408 of the Companies Act 2006, the Parent Company has not presented its own profit and loss account.

# Notes to the company Financial Statements

for the year ended 31 March 2024 (continued)

## 2 Investments held as fixed assets

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Investments in subsidiaries	96,062	96,062
Capital contribution related to share-based payments for subsidiaries	10,087	9,034
	<b>106,149</b>	105,096

All of the Company's investments are unlisted. Details of subsidiary undertakings are included in Note 31 of the Group Financial Statements.

During the year investments increased by £1,053k in respect of the capital contribution to Redcentric Solutions Limited relating to the share-based payment transaction. The Company settled the share-based payment transaction on behalf of Redcentric Solutions Limited. There is no recharge arrangement in place for share-based payments settled by the Company on half of Redcentric Solutions Limited. For further details see Note 28 to the Group accounts.

The Company's investments have been assessed for potential indicators of impairment. No indicators of impairment have been identified. In informing their assessment as to whether an impairment indicator exists, the Directors compare the carrying value of the investments to the value in use of the subsidiaries.

The value in use of the subsidiary has been calculated using a Board approved five-year forecast cash flow projections to the period of 31 March 2029 comprising the detailed Group budget for FY25 and latest detailed forecast for FY26, with higher level assumptions applied for the outer years. A terminal value based on a perpetuity calculation using a 2.0% real growth rate was then added (FY23: 2.0% growth).

The key assumptions used in the value in use calculations for the subsidiary cashflows were as follows:

- New order intake consistent with that achieved in H2-FY24;
- Price increases in line with CPI;
- Overall gross margin percentage of c. 70% in line with historic trends;
- Electricity costs driven by near-term contracted prices and medium-term 3rd party price forecasts for energy;
- Operating costs (depending on nature) to increase in line with either revenue growth or CPI, factoring in any near-term licence inflation;
- Pre-tax discount rate of 10.87% (FY23: 11.2%) (post tax rate of 10.51% (FY23: 10.84%)) estimated using a weighted average cost of capital, adjusted to reflect current market assessments of the time value of money and the risks specific to the Group; and
- Terminal growth rate percentage is consistent with the market the entity operates in for real growth.

The value in use has also considered that any cost implications of achieving net zero would not have a material impact on the assessment period.

A reasonably possible adverse movement to any of the above key assumptions made would not give rise to impairment, therefore supporting the assessment made that there are no impairment triggers in respect of the carrying amount of the Company's investment in subsidiaries.



# Notes to the company Financial Statements

for the year ended 31 March 2024 (continued)

## 3 Debtors

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Deferred tax asset on tax losses	562	406

Deferred tax assets have been recognised based on the ability of future offset against deferred tax liabilities or against future surrendered losses to profitable trading subsidiaries in turn for consideration. The assessment of future taxable profits in trading subsidiaries is based on forecasts and assumptions consistent with those used for our going concern basis of preparation, as set out in Note 1.1 of the Group Consolidated Financial Statements.

## 4 Creditors – amounts falling due within one year

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Amounts owed to subsidiaries	19,359	21,607

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

## 5 Share capital

	Ordinary shares of 0.1p each		Share premium £000
	Number	£000	
At 1 April 2022 and 31 March 2023	156,991,982	157	73,267
New shares issued	1,892,937	2	2,382
<b>At 31 March 2024</b>	<b>158,884,919</b>	<b>159</b>	<b>75,649</b>

On 19 January 2024, 1,892,937 new ordinary shares were issued in part satisfaction of the final dividend for the year ended 31 March 2023 of 2.4 pence per share for certain shareholders representing 63.4% of the Company's total voting rights. The shares were issued at 125.8961 pence per ordinary share being the five-day volume weighted average price of an ordinary share at the close of business on 18 January 2024 (the last business day prior to the dividend payment date). The dividend shares represented in aggregate 1.19% of the enlarged issued share capital of the Company. The FY23 final dividend therefore constituted of £2.4m dividend shares plus £1.4m cash.

During FY24, 96,019 treasury shares have been utilised for various share option exercises, leaving 632,703 shares held in treasury at 31 March 2024 (31 March 2023: 728,722).

# Notes to the company Financial Statements

for the year ended 31 March 2024 (continued)

## 6 Auditor's remuneration

The Company audit fee is £50,000 (FY23: £45,000). This fee was borne by another Group company.

## 7 Related parties

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

Directors' emoluments are disclosed in the Annual Report on Remuneration of the Consolidated Financial Statements on page 65.

Oliver Scott (non-independent Non-Executive Director) is a beneficial owner of Kestrel Opportunities, who held 16,715,305 ordinary shares in the Company as at 31 March 2024.

There were no other transactions with related parties in the year to 31 March 2024.

## 8 Guarantees

The Company has committed to be a financial guarantor under the Group's banking facilities, and is also party to the Group's cross banking guarantees. These arrangements represent financial guarantee contracts which have been accounted for in line with IFRS 9, as explained in the Company's accounting policies. The fair value of these financial guarantee contracts has been assessed to be immaterial.

“

WYCA now has a future-proof solution which will allow further communication channels to be rolled out in line with its development plans.

”



West  
Yorkshire  
Combined  
Authority

Tracy  
Brabin  
Mayor of  
West Yorkshire

# Directors and advisers

## Directors

### Executive

Peter Brotherton – Chief Executive Officer

David Senior – Chief Financial Officer

### Non-executive

Nick Bate

Alan Aubrey

Oliver Scott

Michelle Senecal De Fonseca

## Company Secretary

David Senior

## Company Number

08397584

## Registered Office

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## Auditor

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Tyne and Wear  
NE1 3DX

## Nominated Adviser and Broker

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## Legal Advisers to the Group

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# redcentric

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