Adept4 plc

("Adept4", the "Group" or the "Company")
Interim Results for the six months ended 31 March 2017

Adept4 plc (AIM: AD4), the AIM quoted provider of IT as a Service, today announces its unaudited interim results for the six months ended 31 March 2017. This is the first set of interim results for the Group in its current guise which means that the comparable numbers for the 6 month period to 31 March 2016 ("FY16") are not representative of the Group in its current form.

Financial Summary	Unaudited 6 months to 31-Mar 2017 £m	Unaudited 6 months to 31-Mar 2016 £m
Revenue from continuing operations [1]	5.0	0.8
Gross Profit from continuing operations [1]	3.1	0.5
Gross Profit Margin %	62%	56%
Adjusted Trading Group EBITDA[2]	0.8	0.2
Adjusted Group EBITDA[3]	0.3	-0.1
Gross Cash	3.9	1.4
Net Debt[4]	2.2	1.1
Net Assets	7.4	6.6
Loss for the period	-0.8	-0.7
One-off Reorganisation costs net of gains	0.0	-0.2

Highlights

- Revenue from continuing operations[1] of £5.0m, of which 71% is recurring
- Gross profit of £3.1m, representing 62% gross margin and of which 73% comes from recurring revenue
- On a like for like basis recurring revenue and gross profit increased by 10%
- Adjusted Trading Group EBITDA[2] of £0.8m
- Adjusted EBITDA[3] of £0.3m
- Loss from continuing operations for the period £0.7m due to amortisation of intangibles (£0.4m) and finance costs (£0.5m, of which £0.3m are 'fair value' finance costs related to BGF Loan Notes and Deferred & Contingent consideration)
- Cash at bank of £3.9m
- Net debt[4] £2.2m

- Gavin Lyons to step down in due course from his position as Executive Chairman in order to concentrate on CEO role at Tax Systems plc. This is a planned transition and will only take place when a suitable replacement has been found.

Commenting on the results, Gavin Lyons, Executive Chairman stated:

"I am pleased to report upon the results of the Group for the six months ended 31 March 2017 which represent continued progress for the Group as it rebuilds from the complete divestment of the old Pinnacle Technology business completed in May 2016.

The period under review has been one of consolidation (with no acquisitions or disposals) rather than the frenetic sequence of M&A activity which characterised the preceding 12 months as we established the Group in its current form.

During the period we have continued to make good progress with our strategy of delivering IT as a Service to our customer base and in building out a business platform capable of future scaling both organically and through acquisition.

We have built a business that has solid financial foundations with high levels of recurring revenues and gross profit.

We have also continued to build strong relationships with a small number of key vendors, which enables us to execute against our approach of being an asset light IT business.

Now that the fundamental turnaround of the Company is complete, it is now the right time for me to step down as Executive Chairman in order for someone else to come and guide the Group through its next phase of growth. We have commenced a process to find a suitable replacement and I remain committed and in situ until that process has been completed."

[1] Continuing operations solely relate to Ancar and Weston acquired in February 2016 and Adept4 acquired in May 2016 (plus plc and separately identifiable costs and income relating to these operations)

[2] Adjusted Trading Group EBITDA is measured as Earnings from continuing operations before plc costs, interest, taxation, depreciation, amortisation of intangibles, separately identifiable costs and income and share based payments

[3] Adjusted EBITDA is measured as Adjusted Trading Group EBITDA after plc costs

[4] Net debt is measured as Cash and cash and equivalents less short and long term borrowings

All company announcements can be found at www.adept4.co.uk

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The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No 596/2014.

About Adept4

Adept4 delivers IT as a service to small and medium sized businesses across the UK. IT as a Service (ITaaS) provides you with exactly the amount of technology and support you need in accordance with business requirements, billed on a monthly basis, based on what is consumed.

Critically we underpin this delivery method with a 24 x 7 UK response team, strategic consulting, professional services and software development to provide exactly what organisations need from IT at any given time. Whether an infrastructure is based on legacy or emerging technologies we will ensure organisations have the flexibility, agility and cost efficiencies required to run their business effectively, all through a single trusted provider.

Adept4 is a public company quoted on the AIM market of the London Stock Exchange. The Company is headquartered in Warrington, with offices in Leeds, Aberdeen, and Brighton.

CHAIRMAN'S STATEMENT & BUSINESS AND OPERATIONAL REVIEW

INTRODUCTION

I am pleased to report upon the results of the Group for the six months ended 31 March 2017 which represent continued progress for the Group as it rebuilds from the complete divestment of the old Pinnacle Technology business completed in May 2016.

The period under review has been one of consolidation (with no acquisitions or disposals) rather than the frenetic sequence of M&A activity which characterised the preceding 12 months as we established the Group in its current form.

During the period we have continued to make good progress with our strategy of delivering IT as a Service to our customer base and in building out a business platform capable of future scaling both organically and through acquisition.

We have performed in line with our KPIs as further detailed below and have built a business that has solid financial foundations with high levels of recurring revenues and gross profit.

We have also continued to build strong relationships with a small number of key vendors, which enables us to execute against our approach of being an asset light IT business.

STRATEGY

As we have stated before, our approach to the market and our customers can be characterised by the following:

- Making use of asset light technologies and services to deliver to our customers – this reduces our requirement for fixed asset investment and allows us to leverage public cloud providers' investments;
- Provision of IT as Service (effectively the provision of an IT department) on a pay as you go basis which can be flexed up or down dependent upon the customers' requirements. Consumption based pricing, as it is referred to, is widely acknowledged as the preferred costing model for the future and is rapidly gaining traction in the market; and
- A trusted advisor with a strong service ethic and capability, with a four-pronged approach to our customer engagement which ensures longevity of customer relationship and stickiness.

We are able to support this strategy with over 100 employees, 70% of whom work in a technical capacity. We have a dedicated software development team and an IT Transition team of consultants which we believe truly differentiate us from our competitors of a similar scale, and provide us with clear competitive advantages. We are small enough to care and big enough to cope.

We are proud to be a Tier1 Cloud Solutions Partner of Microsoft. The developments in their offerings in terms of Azure, Office 365 and Skype for business are resonating with the market and our customer base, as evidenced by the growth rates they have been reporting and the interest we have seen. In terms of this portfolio of services we see real potential across our 800 plus customer base in the following specific areas:

- Skype for Business integration with traditional and hosted telephony solutions. We are seeing a significant appetite for this which is being driven by cost and functionality. We are currently improving our accreditation in this area and also working with a number of providers who have built solutions with full Skype integration. We are in the process of building a healthy pipeline in this area;

- Microsoft's Public Cloud, Azure, being used as a cost effective Disaster Recovery as a Service ("DRaaS") and Back Up as Service, and a pre-cursor to a full move into public cloud; and
- Office 365 Secure Productive Enterprise. Cloud based Office 365 is becoming the preferred method of deployment for SME's as it reduces the cost of maintaining an on-premises deployment (particularly when taken with our service wrap). The increasing functionality that comes with this product is improving and increasing team collaboration. However more importantly, at a time of increasing IT security risk (as clearly highlighted by the recent 'wannacry' ransomware attack), the Secure Productive Enterprise version of Office365 comes with a range of in-built security functionality around identity management, data loss prevention, mobile device management, cloud access security broker and analytics which allow a customer to deploy at relatively low cost on a 'pay as you go' basis an enterprise equivalent security layer. We are working with a number of our customers to provide consulting deployment of this technology.

OPERATIONAL HIGHLIGHTS DURING THE PERIOD

We are pleased to report on the following achievements in the period when we really began to integrate the businesses that came together to form the group last year:

- A number of large new customer wins in a range of sectors with combined contract revenue in excess of £1.5m, which included:
  - a 3 year contract for ITaaS covering a range of managed services, including IT helpdesk support, managed infrastructure services and transition consulting worth £0.8m;
  - strategic consultancy to assist a customer's digital transformation worth £0.2m; and
  - implementation consultancy for rolling out Office 365 across 600 plus users for an online retailer worth £0.1m. We were chosen due to our expertise, but also because of the insight we could bring to adopting new and emerging services associated with Office 365 such as Secure Productive Enterprise and we are hopeful of follow on work;
- Completion of a number of high profile customer projects, which included the telephony hardware refresh for one of our local government customers worth £0.2m;
- Success in cross selling hosted telephony services and Azure/ Office 365 to our customer base. We have increased our Office 365 customer base by 250% and Azure by 66% during the period;
- We were acknowledged at the 2017 Microsoft Cloud and Hosting Summit in Seattle for our success in growing new cloud business through the use of Azure (Microsoft Cloud) and Disaster Recovery as a Service ("DRaaS") for a regional brewer in the UK. The event was a forum to bring together Cloud Service Partners from across the globe and share with them Microsoft's partner roadmap for the Cloud. It was therefore particularly pleasing to be acknowledged in such a forum, validating the strength of our skills and particularly encouraging given the growing market for asset light IT for large and small enterprises alike;
- Launch of a single consolidated brand for the Group from November 2016, with the final element in this branding being the launch of the new adept4.co.uk website in May 2017;
- Adoption of single ticketing, service desk, scheduling and CRM platform across the Group; and
- Adoption of single operating structure for the Group and some key promotions/ appointments, including the roles of Director of Customer and Employee Engagement and Director of Sales, which we expect to contribute significantly to the second half.

PEOPLE

As a service based and asset light IT business our people remain our single most valuable asset. We acknowledge that the changes we have affected in the Group as we have sought to integrate the Group's activities can be destabilising and unsettling. However we have sought to mitigate the impact of these changes and have put in place a number of initiatives to engage and reward our staff. As a new Group we have also been keen to ensure that all staff believe in our shared values and vision and with this in mind we have developed a core set of values: Customer Centric, Ambitious, Respectful and Excellence ("CARE"). I am pleased to report we are seeing traction with this and our rate of staff attrition is within the KPIs we set at the beginning of our journey.

FINANCIAL SUMMARY

The financial results for the six months ended 31 March 2017 include a full six months' contribution from Adept4 Limited, now called Adept4 Managed IT ("MIT"), Ancar-B Technologies Limited ("Ancar-B") and Weston Communications Limited ("Weston"). The comparative period last year contained only 2 months' contribution from Ancar-B and Weston within continuing operations.

Group revenue for the period was £5.0m and gross profit £3.1m representing a healthy blended margin of 62%, in line with that achieved for the last financial year and our KPI of a gross profit margin of over 60%.

On a like for like basis (6 months ended 31 March 2017 against pro-forma 6 months ended 31 March 2016) revenue was 6% higher and gross profit 6% higher. Of particular note was the 18% like for like increase in telephony revenues which resulted from increased spending from some existing customers and through the success of cross selling activity across the base.

Group recurring revenue was £3.6m (71% of Group revenue), which generated gross profit of £2.3m (73% of Group gross profit) and gross margin of 64%. This was very firmly in line with our KPIs of having recurring revenues and recurring gross profit in excess of 65% of Group revenue and gross profit respectively. On a like for like basis we increased recurring revenue and gross profit by 10%.

Trading overheads (other operating expenses, not including plc costs as per note 3.3) for the period were £2.3m, thus ensuring 100% coverage from recurring gross profit. We have seen some wage pressure in our overhead base as we have integrated the businesses and therefore increased its scale and complexity which has meant recruiting external candidates to new roles or promoting internal staff to more senior roles. The operational nature of the businesses we combined last summer means that significant synergies have been difficult to achieve to date. The consolidation of the operations on a single technical platform, which creates a base on which we can scale the business, also provides improved management information which allows us to make better informed resource decisions in the future.

Adjusted Trading EBITDA was £0.8m, which almost surpasses the result achieved for the whole of the last financial year. This represents a net margin of 16%.

Head office and plc costs were £0.5m. These were in line with expectations and reflect increased spend on development of new brand and content for website – a key task has been to consolidate four existing websites into one which was only completed during May 2017.

Adjusted EBITDA for the period was £0.3m.

Loss before tax from continuing operations for the period was £0.8m. This is after the following costs:

- Amortisation on intangibles related to acquisitions made during year ended 30 September 2016 of £0.4m;
- Interest payable of £0.5m. The actual cash cost of the interest on BGF Loan notes was £0.2m, the remaining charge arises through the fair value exercise that was undertaken in the last financial accounts to split the loan notes between their loan and equity components and to the unwinding of the fair value discount applied to deferred and contingent consideration payable in more than one year; and
- Separately identifiable costs related to integration and acquisition activity and share based payments of £0.1m.

There was a loss from discontinued operations of £0.1m. This relates to a provision of £0.1m against a dispute arising from the sale of the trade and assets of Pinnacle CDT Limited ("CDT") to Chess ICT Limited ("Chess") in May 2016.

Loss after tax was £0.8m which produced a loss per share of 0.35p. We regard our key EPS measure to be that based on the after tax contribution from trading operations, on this basis we generated an EPS measure of 0.36p.

Gross cash balances at 31 March 2017 were £3.9m. During the period we generated the following cashflows:

- Cash generated from trading operations £0.5m. This reflects a cash conversion rate for Trading Group EBITDA of 62% which is somewhat lower than previously as we have seen a number of large annual maintenance contracts revert from being paid annually in advance to monthly or quarterly in advance;
- Cash used on plc costs and separately identifiable costs £0.5m;
- Interest paid £0.2m;
- Corporation tax paid £0.1m; and
- Investment in fixed assets £0.1m.

At the period end we had net debt of £2.2m, after adjustment for fair values. Immediately after the period we settled the remaining deferred consideration of £0.2m on Accent Telecom North Limited. We have further deferred consideration of £1.0m and contingent consideration of £1.5m (subject to financial performance) due to the owners of MIT in 2018.

OUTLOOK

The specific market in which we operate continues to offer opportunities for those businesses that are able to manage and adapt to change and remain flexible – something we have become familiar with. However we believe that our strategy of 'pay as you go' IT or consumptive pricing is very clearly in line with the future direction of travel of pricing in this market.

We remain a committed Microsoft Cloud Solutions Partner and are of the view that as long as we continue to invest time, training and development in this area that we should be able to benefit from the significant cloud growth that is being enjoyed in this space.

I am satisfied that we have now completed both the turnaround of the Group and the 'heavy lifting' part of our initial integration activities, resulting in a sustainable operating platform. As a result, the subsequent periods should be focused on customer centric activities, 'repairs and maintenance' of our operating platform plus executing on further acquisition targets. With this in mind, and taking into account the demands upon me in another business in which I am involved as CEO, we have therefore decided to commence the process of finding a replacement for me who will be able to drive the next phase of development of the Company. Clearly, I remain focussed on Adept4 until this process has concluded, something which we expect, given the need to identify a candidate who can drive shareholder value, could take up to a few months.

Gavin Lyons
Executive Chairman
28 June 2017

INDEPENDENT REVIEW REPORT TO ADEPT4 PLC ("the Company")

Introduction
We have been engaged by the Company to review the interim condensed financial statements for the six months ended 31 March 2017 which comprise the consolidated statement of financial position, the consolidated income statement, consolidated statement of changes in equity, consolidated statement of comprehensive income, consolidated statement of cash flows and the related explanatory notes.

We have read the other information contained in the interim results announcement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the AIM Rule 18. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report or for the conclusions we have reached.

Directors' responsibilities
The interim results announcement is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results announcement in accordance with AIM Rule 18.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. It is the responsibility of the directors to ensure that the condensed set of financial statements included in this interim results announcement have been prepared on a basis consistent with that which will be adopted in the Group's annual financial statements.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim results announcement based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim results announcement for the six months ended 31 March 2017 is not prepared, in all material respects, in accordance with the requirements of the AIM Rules for Companies.

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
28 June 2017

25 Moorgate
London
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CONSOLIDATED INCOME STATEMENT

for the six month period ended 31 March 2017

	Note	**6 months to 31-Mar 2017 £000**	6 months to 31-Mar 2016 £000	Year to 30-Sep 2016 £000
Revenue	3	**5,028**	830	4,939
Cost of sales		**(1,914)**	(368)	(1,897)
Gross profit	3	**3,114**	462	3,042
Other operating expenses	3	**(2,767)**	(601)	(2,928)
Profit/(loss) from continuing operations before amortisation, depreciation, share based payment costs and separately identifiable costs	**3**	**347**	(139)	114
Amortisation of Intangible Assets	7	**(437)**	(65)	(413)
Depreciation		**(76)**	(6)	(74)
Separately identifiable costs and expenses	4	**(26)**	(174)	(615)
Share based payments		**(66)**	(1)	(61)
Operating loss from continuing operations		**(258)**	(385)	(1,049)
Interest receivable		**-**	-	2
Interest payable		**(531)**	-	(360)
Net Finance expense		**(531)**	-	(358)
Loss before tax from continuing operations		**(789)**	(385)	(1,407)
Taxation	5	**87**	13	83
Loss for the period from continuing operations		**(702)**	(372)	(1,324)
Discontinued operations				
(Loss)/Profit for the period from discontinued operations	11	**(100)**	(323)	725
Loss for the period		**(802)**	(695)	(599)
(Loss)/ earnings per share (pence)				
basic and fully diluted – continuing operations	6	**(0.31)**	(0.56)	(0.80)
basic and fully diluted – discontinued operations	6	**(0.04)**	(0.48)	0.44
basic and fully diluted	6	**(0.35)**	(1.04)	(0.36)

Notes 1 to 11 form part of the analysis of the interim condensed financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

	Note	**At 31 March 2017 £000**	At 31 March 2016 £000	At 30 September 2016 £000
Non-current assets				
Intangible assets	7	**12,307**	5,879	12,744
Investments		**-**	35	-
Property, plant and equipment		**288**	79	255
Total non-current assets		**12,595**	5,993	12,999
Current assets				
Inventories		**69**	66	22
Trade and other receivables		**2,284**	1,170	1,568
Assets of the disposal group and non-current assets classified as held for sale		**-**	2,948	-
Cash and cash equivalents		**3,888**	1,439	4,266
Total current assets		**6,241**	5,623	5,856
Total assets		**18,836**	11,616	18,855
Liabilities				
Short term borrowings	9	**(2,341)**	(317)	(298)
Trade and other payables		**(1,448)**	(704)	(862)
Liabilities of the disposal group classified as held for sale		-	(2,354)	-
Other taxes and social security costs		**(783)**	(347)	(757)
Accruals and other payables		**(1,480)**	(504)	(1,539)
Total current liabilities		**(6,052)**	(4,226)	(3,456)
Non-current liabilities				
Long term borrowings	9	**(3,795)**	-	(5,587)
Deferred tax liability	8	**(1,577)**	(792)	(1,664)
Total liabilities		**(11,424)**	(5,018)	(10,707)
Net assets		**7,412**	6,598	8,148
Equity				
Share capital		**2,271**	2,271	2,271
Share premium account		**11,337**	11,337	11,337
Capital Redemption Reserve		**6,489**	6,489	6,489
Merger reserve		**1,997**	1,997	1,997
Other reserve		**1,505**	52	1,439
Fair value adjustment		-	(1,064)	-
Retained earnings		**(16,187)**	(14,484)	(15,385)
Total equity		**7,412**	6,598	8,148

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for six month period ended 31 March 2017

	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Merger Reserve £000	Other Reserve £000	Fair Value £000	Retained Earnings £000	Total £000
At 1 October 2015	592	7,840	6,489	283	51	(1,064)	(13,789)	402
Loss and total comprehensive loss for the period	-	-	-	-	-	-	(695)	(695)
Transactions with owners								
Share Issue	1,679	3,657	-	1,714	-	-	-	7,050
Share based payments	-	-	-	-	1	-	-	1
Expenses on Share Issue	-	(160)	-	-	-	-	-	(160)
Total Transactions with owners	1,679	3,497	-	1,714	1	-	-	6,891
Total movements	1,679	3,497	-	1,714	1	-	(695)	6,196
Equity at 31 March 2016	2,271	11,337	6,489	1,997	52	(1,064)	(14,484)	6,598

	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Merger Reserve £000	Other Reserve £000	Fair Value £000	Retained Earnings £000	Total £000
At 1 April 2016	2,271	11,337	6,489	1,997	52	(1,064)	(14,484)	6,598
Loss and total comprehensive loss for the period	-	-	-	-	-	-	96	96
Transactions with owners								
Reclassification of reserves	-	-	-	-	-	1,064	(1,064)	-
Share based payments	-	-	-	-	60	-	-	60
Fair value of equity in the BGF loan	-	-	-	-	1,394	-	-	1,394
Fair value of interest in the BGF loan	-	-	-	-	(67)	-	67	-
Total Transactions with owners	-	-	-	-	1,387	1,064	(997)	1,454
Total movements	-	-	-	-	1,387	1,064	(901)	1,550
Equity at 30 September 2016	2,271	11,337	6,489	1,997	1,439	-	(15,385)	8,148

	Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Merger Reserve £000	Other Reserve £000	Fair Value £000	Retained Earnings £000	Total £000
At 1 October 2016	2,271	11,337	6,489	1,997	1,439	-	(15,385)	8,148
Loss and total comprehensive loss for the period	-	-	-	-	-	-	(802)	(802)
Transactions with owners								
Share based payments	-	-	-	-	66	-	-	66
Total Transactions with owners	-	-	-	-	66	-	-	66
Total movements	-	-	-	-	66	-	(802)	(736)
Equity at 31 March 2017	2,271	11,337	6,489	1,997	1,505	-	(16,187)	7,412

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six month period ended 31 March 2017

	6 months to 31 March 2017	6 months to 31 March 2016	12 months to 30 September 2016
Loss for the year from total operations	**(802)**	(695)	(599)
Total comprehensive negative income for the year	**(802)**	(695)	(599)
Attributable to equity holders of the parent	**(802)**	(695)	(599)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six month period ended 31 March 2017

	Note	**6 months to 31 March 2017 £000**	6 months to 31 March 2016 £000	12 months to 30 September 2016 £000
Cash flows from continuing operating activities				
Cash generated/ (used) by operations	10	**43**	(325)	(413)
Taxation		**(45)**	-	(151)
Net Cash used by operating activities		**(2)**	(325)	(564)
Cash flows from investing activities				
Purchase of property, plant and equipment		**(109)**	-	(42)
Interest received		**-**	-	2
Acquisition of subsidiaries, net of cash acquired		**-**	(3,130)	(6,892)
Net cash used in investing activities		**(109)**	(3,130)	(6,932)
Cash flows from financing activities				
Issue of shares		**-**	4,801	4,801
Expenses paid in connection with share issue		**-**	(161)	(161)
Receipt of loan funds		**-**	-	5,000
Receipt of finance lease		**-**	-	51
Payment of finance lease liabilities		**(27)**	-	(16)
Interest paid		**(202)**	-	(147)
Net cash (used)/ from financing activities		**(229)**	4,640	9,528
Cashflow from discontinued operations		**(38)**	(393)	1,641
Net (decrease)/increase in cash		**(378)**	792	3,673
Cash at bank and in hand at beginning of period		**4,266**	593	593
Cash at bank and in hand at end of period		**3,888**	1,385	4,266
Comprising:				
Cash at bank and in hand		**3,888**	1,439	4,266
Bank overdrafts		**-**	(54)	-
		3,888	1,385	4,266

NOTES TO THE FINANCIAL INFORMATION

for the six month period ended 31 March 2017

1. General Information

Adept4 plc is a company incorporated in the United Kingdom under the Companies Act 2006. The principal activity of the group is the provision of IT as a Service (“ITaaS”) to small and medium sized businesses in the United Kingdom. The interim condensed financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which each of the Group’s subsidiaries operates.

The address of its registered office is 5 Fleet Place, London, EC4M 7RD and its principal places of business are Leeds and Warrington. The company is quoted on AIM, the market of that name operated by the London Stock Exchange under ticker symbol AD4.L

These interims condensed financial statements contain inside information.

2. Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable at 30 September 2017.

Financial information contained in this document does not constitute statutory accounts within the meaning of section of 434 of the Companies Act 2006 (“the Act”). The statutory accounts for the year ended 30 September 2016 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act. The financial information for the six months ended 31 March 2017 and 31 March 2016 is unaudited.

The accounting policies applied by the Group in this interim financial information are the same as those applied by the Group in the consolidated financial statements for the year ended 30 September 2016. In accordance with IFRS 3, prior period balances as at 31 March 2016 and 30 September 2016 have been retrospectively adjusted in order to reflect adjustments to provisional fair values noted within the measurement periods arising from pre-acquisition tax charges for the acquired entities.

After reviewing budgets, forecasts and cash projections for the next twelve months and beyond, the Directors believe that the Group have adequate resources to continue operations for the foreseeable future and for this reason they have adopted a going concern basis in preparing the interim financial information. The interim statements were approved by the Board of Directors on 28 June 2017.

3. Segment Reporting

Following the re-organisation of the business during early 2016 the operating segments of the business were redefined to reflect the holistic nature of IT as a Service. Three segments were identified which are defined below;

Product – comprises the resale of solutions (hardware and software) from leading vendors

Recurring Services – comprises the provision of continuing IT services which have an ongoing billing and support element

Professional Services – comprises the provision of highly skilled resource to consult, design, install, configure and integrate IT technologies

All revenues for continuing operations relate to the UK.

3.1 Analysis of revenue	**6 months to 31 March 2017 £000**	6 months to 31 March 2016 £000	12 months to 30 September 2016 £000
By operating segment			
Product	**1,115**	238	1,143
Recurring Services	**3,594**	592	3,236
Professional Services	**319**	-	560
Total revenue	**5,028**	830	4,939

3.2 Analysis of gross profit			
By operating segment			
Product	**516**	89	456
Recurring Services	**2,288**	373	2,041
Professional Services	**310**	**-**	545
Total gross profit	**3,114**	462	3,042

3.3 Analysis of Adjusted Group EBITDA			
Gross Profit	**3,114**	462	3,042
Other operating expenses, not including plc costs	**(2,301)**	(296)	(2,124)
Adjusted Trading Group EBITDA	**813**	166	918
Other operating expenses, plc costs	**(466)**	(305)	(804)
Adjusted Group EBITDA	**347**	(139)	114

4. Separately identifiable costs and expenses

During the period, the Group incurred the following separately identifiable costs and expenses which are material by their size or incidence:

	6 Months to 31 March 2017 £000	6 Months to 31 March 2016 £000	12 Months to 30 September 2016 £000
Costs:			
Gain on sale of share in associate company (Stripe 21 Limited)	**-**	285	259
Professional fees and due diligence costs relating to acquisitions	**-**	(375)	(677)
Restructure costs	**(26)**	(84)	(197)
Separately identifiable costs and expenses	**(26)**	(174)	(615)

5. Taxation

	6 Months to 31 March 2017 £000	6 Months to 31 March 2016 £000	12 Months to 30 September 2016 £000
Current tax			
UK corporation tax for the period on continuing operations	**-**	-	-
UK corporation tax for the period on discontinued operations	**-**	-	197
	-	-	197
Deferred tax			
Reversal of timing difference in the period	**-**	(13)	-
Deferred tax on intangible assets from continuing operations	**(87)**	-	(83)
Deferred tax on intangible assets from discontinued operations	**-**	-	(98)
	(87)	(13)	(181)
Taxation on continuing operations	**(87)**	(13)	(83)
Taxation on discontinued operations	**-**	-	99
Taxation	**(87)**	(13)	16

6. (Loss)/ earnings per share

	6 months to 31 March 2017 p/share	6 months to 31 March 2016 p/share	12 months to 30 September 2016 p/share
Basic and fully diluted – continuing operations	**(0.31)**	(0.56)	(0.80)
Basic and fully diluted – discontinued operations	**(0.04)**	(0.48)	0.44
Basic and fully diluted	**(0.35)**	(1.04)	(0.36)
	£000	£000	£000
Loss on continuing operations	**(702)**	(372)	(1,324)
(Loss)/Profit on discontinued operations	**(100)**	(323)	725
Loss attributable to ordinary shareholders	**(802)**	(695)	(599)
Weighted average number of shares in issue:			
Basic and fully diluted	**227,065,100**	66,757,368	165,891,459

7. Intangible assets

	Goodwill	Maintenance Contracts	IT and billing systems	Brand	Customer Lists	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 October 2015		100	232	-	2,780	3,112
Acquisitions through business	1,849	-	-	398	3,630	5,877
Adjustments to provisional fair value of tax liabilities *	67	-	-	-	-	67
Transferred to non-current assets held for sale	-	(100)	(232)	-	(2,780)	(3,112)
At 31 March 2016	**1,916**	**-**	**-**	**398**	**3,630**	**5,944**
Acquisitions through business combinations	2,463	-	-	759	3,950	7,172
Adjustments to provisional fair value of tax liabilities *	41	-	-	-	-	41
At 30 September 2016	**4,420**	**-**	**-**	**1,157**	**7,580**	**13,157**
At 31 March 2017	**4,420**	**-**	**-**	**1,157**	**7,580**	**13,157**
Amortisation						
At 1 October 2015	-	(100)	(232)	-	(2,289)	(2,621)
Charge for the period	-	-	-	(10)	(55)	(65)
Transferred to non-current assets held for sale	-	100	232	-	2,289	2,621
At 31 March 2016	**-**	**-**	**-**	**(10)**	**(55)**	**(65)**
Charge for the period	-	-	-	(25)	(323)	(348)
At 30 September 2016	**-**	**-**	**-**	**(35)**	**(378)**	**(413)**
Charge for the period	-	-	-	(31)	(406)	(437)
At 31 March 2017	**-**	**-**	**-**	**(66)**	**(784)**	**(850)**
Net Book Value						
At 31 March 2016	1,916	-	-	388	3,575	5,879
At 30 September 2016	4,420	-	-	1,122	7,202	12,744
At 31 March 2017	**4,420**	**-**	**-**	**1,091**	**6,796**	**12,307**

*** Note:**
In accordance with IFRS 3, prior period balances as at 31 March 2016 and 30 September 2016 have been retrospectively adjusted in order to reflect adjustments to provisional fair values noted within the measurement periods arising from pre-acquisition tax charges for the acquired entities.

8. Deferred Tax	**6 months to 31 March 2017**	6 months to 31 March 2016	12 months to 30 September 2016
	£000	£000	£000
Provision brought forward	**1,664**	98	98
Credits arising from business combinations	**-**	905	1,747
Credits to income statement – continuing operations	**(87)**	(13)	(83)
Credits to income statement –discontinued operations		-	(14)
Disposal of intangible assets – discontinued operations	**-**	(198)	(84)
Provision carried forward	**1,577**	792	1,664

9. Borrowings	**6 months to 31 March 2017**	6 months to 31 March 2016	12 months to 30 September 2016
	£000	£000	£000
Short Term Borrowings			
Bank Overdraft	**-**	54	-
Finance Lease	**37**	3	38
Deferred consideration for Accent Telecom North Limited – paid April 2017	**223**	260	260
Deferred consideration for Adept4 Managed IT Limited – payable January 2018	**1,000**	-	-
Contingent consideration for Adept4 Managed IT Limited – payable March 2018	**1,500**	-	-
Fair Value adjustment relating to deferred and contingent consideration	**(419)**	-	-
Total Short Term Borrowings	**2,341**	317	298
Long Term Borrowings			
Finance Lease	**23**	-	43
BGF loan notes repayable to BGF between 2021 and 2023	**5,000**	-	5,000
Fair Value adjustment relating to BGF loan notes	**(1,228)**	-	(1,326)
Deferred consideration for Adept4 Managed IT Limited – payable January 2018	**-**	-	1,000
Contingent consideration for Adept4 Managed IT Limited – payable March 2018	**-**	-	1,500
Fair Value adjustment relating to deferred and contingent consideration	**-**	-	(630)
Total Long Term Borrowings	**3,795**	-	5,587

10. Cashflow from operating activities	**6 months to 31 March 2017 £000**	6 months to 31 March 2016 £000	12 months to 30 September 2016 £000
Loss before tax from continuing operations	**(789)**	(385)	(1,407)
Adjustments for:			
Depreciation	**76**	6	74
Amortisation	**437**	65	413
Share option charge	**66**	1	61
Interest expense	**531**	-	358
Decrease/(increase) in trade and other receivables	**(716)**	348	(98)
Decrease/(Increase) in inventories	**(47)**	(63)	1
Increase/(decrease) in trade payables, accruals and other creditors	**485**	(297)	185
Net cash flow from continuing operations	**43**	(325)	(413)

11. Discontinued Operations

There was a loss from discontinued operations of £0.1m. This relates to a provision of £0.1m against a dispute arising from the sale of the trade and assets of Pinnacle CDT Limited ("CDT") to Chess ICT Limited ("Chess") in May 2016.