iomart

Half Yearly Results 2019

6 months ended 30 September 2019

Strong progress in converting the growing sales pipeline

iomart (AIM:IOM), the cloud computing company, is pleased to report its consolidated half yearly results for the period ended 30 September 2019 (H1 2020).

FINANCIAL HIGHLIGHTS

	H1 2020	H1 2019	Change
Revenue	£55.1m	£50.9m	+8%
Adjusted EBITDA[1]	£21.8m	£21.1m	+3%
Adjusted profit before tax[2]	£11.5m	£12.4m	-8%
Profit before tax	£8.4m	£7.3m	+15%
Adjusted diluted eps[3]	8.4p	9.0p	-7%
Basic eps	6.4p	5.4p	+19%
Interim dividend per share	2.6p	2.45p	+6%

- Adjusted EBITDA[1] benefitted by £1.5m from transition to IFRS 16 lease accounting
- Adjusted profit before tax[2] and earnings per share[3] reflects over £1m annualised investment in sales engine and broader mix of revenue
- Cash generated from operations in the period of £20.6m (H1 2019: £14.5m) which retains the consistently strong profit to cash conversion
- Period end net debt of £58.7m, at a comfortable level of 1.3 times annualised EBITDA[4]

OPERATIONAL HIGHLIGHTS

- Increased investment in sales engine has led to an acceleration in organic growth rates with orders well ahead of prior period, coming through to revenue in the months ahead
- Continued market leading profitability and low customer attrition
- Final planning phases for investment in our acquired Manchester datacentre, where we see growing demand
- Now over 25 points of presence around the world with capability established in Paris, Frankfurt and Amsterdam in the last six months
- Growing sales pipeline, on track for an improving trend in organic growth rate, in line with management expectations

STATUTORY EQUIVALENTS

A full reconciliation between adjusted and statutory profit before tax is contained within this statement. The largest variance within the adjustments relates to the £0.7m reduction in contingent consideration on the 2018 LDeX acquisition which translates to a gain within the income statement. In the prior period a similar accounting entry was recorded for the 2017 Sonassi acquisition but in that situation it was a loss of £1.4m on the finalisation of the earn-out final payment which was higher than previously expected.

Angus MacSween, CEO commented,

"The positive trading performance from the Group reflects the investment we are making in our sales engine which has delivered significantly more business from new customers than the comparable period. We have also seen an increasing level of larger, more complex enterprise contract wins, whose revenue will start to be recognised in the second half of the year and beyond.

"This momentum, combined with high levels of visibility within our recurring revenue business model gives increasing confidence that we are on track for an improving trend in our organic growth. In addition, we continue to see opportunities to enhance this growth through acquisitions. With a wide portfolio of managed cloud services, we are confident in our ability to capitalise on the significant and sustainable market opportunity ahead, underpinning the Group's long-term prospects."

[1] Throughout this statement adjusted EBITDA is earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges, acquisition costs, and (loss)/gain on revaluation of contingent consideration. Throughout this statement acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.

[2] Throughout this statement adjusted profit before tax is profit before tax, amortisation charges on acquired intangible assets, share based payment charges, acquisition costs and (loss)/gain on revaluation of contingent consideration.

[3] Throughout this statement adjusted earnings per share is earnings per share before amortisation charges on acquired intangible assets, share based payment charges, acquisition costs, (loss)/gain on revaluation of contingent consideration and the taxation effect of these.

[4] Annualised EBITDA is two times EBITDA for the period ended 30 September 2019.

This interim announcement contains forward-looking statements, which have been made by the directors in good faith based on the information available to them up to the time of the approval of this report and such information should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

Chief Executive's Statement

Introduction

During the six-month period under review we are pleased to see the positive results from the revamping of our sales and marketing operation. Group revenue was 8% ahead of the previous period, having increased to £55.1m (H1 2019: £50.9m), driven by our Cloud Services operation which grew by 10%.

We have invested over £1m of annualised costs in our sales and account management team, meaning we now have a more sophisticated sales organisation with a wider range of skills. We are now generating an increasing number of opportunities and a significantly larger pipeline which will deliver higher top line growth in the future. This investment in the period, along with the broader mix of revenue in the first half of the year, means that adjusted profit before tax reduced by £0.9m to £11.5m (H1 2019: £12.4m). Our adjusted EBITDA of £21.8m (H1 2019: £21.1m) is ahead of the prior period comparative, benefitting by £1.5m from the transition to IFRS 16 lease accounting. These profitability measures continue to be market leading and reflect the strength of our business model.

Our customer retention levels remain high, a reflection of our continued focus on the quality of our customer service. We believe that focus on having the widest range of skillsets alongside great customer service will be the driver of future growth.

Market

The market opportunity remains large and long term.

With the insatiable growth in data requirements from across all industries, the demand for computer power, storage and connectivity continues to expand. Organisations are increasingly outsourcing these requirements to experts, who can help them navigate a constantly evolving and complex technical landscape, providing high levels of customer support, flexibility and technical knowledge. Whilst cybersecurity has always been at the heart of what we do we are investing further resources in moving towards a comprehensive managed service capability across the spectrum of security, with a fully resourced security operation centre ("SOC") providing further assistance to our customer base 24/7/365.

We are focussed on ensuring our product portfolio remains relevant to supporting customers in the journey to cloud based solutions, be that of a public, private or hybrid nature or indeed "on premise", as a substantial number of organisations are still at the very early stages of digital transformation.

Operational Review

Cloud Services

The Cloud Services operation has performed well in the first six-months, seeing significant improvement in new customer wins at the same-time as maintaining low customer attrition levels. The previously flagged investment and reorganisation of our commercial operations delivered significantly more new customer wins than the comparable period, whilst our pipeline of opportunities for the remainder of the year is also stronger. In particular, we have seen an increased level of larger, more complex enterprise contract wins, whose revenue will start to be recognised in the second half of the year and beyond. Our on-premise IT brand, Cristie Data, delivered a strong performance in the first half year, bringing additional new corporate customers into the Group, with the potential to transition to higher margin managed cloud services revenue in the future.

The two acquisitions from 2018 are making a positive contribution to the Group. There has been a higher than expected level of integration of Bytemark (acquired August 2018) in the first 12 months of ownership which has ensured that overall profit is in line with plans. LDeX (acquired December 2018) has seen strong performance with double digit growth in monthly recurring revenue since the acquisition driven by new customer wins, combined with good retention levels.

We are in the final planning phases for the investment in the Manchester datacentre acquired with the LDeX acquisition. This investment, which we are aiming to ensure will bring with it official Tier 3 certification, will be a well-received capacity addition in the fast growing technology and communications sector around the Manchester area. Our global datacentre footprint continues to expand and we now have points of presence in over 25 locations around the world, with capability established in Paris, Frankfurt and Amsterdam in the last six months. These additions to the footprint ensure that we can offer even more support to our customers with any EU requirements post Brexit.

Our Cloud Services revenues have grown by 10% to £48.8m (H1 2019: £44.3m) as a result of our acquisitive and organic activities. The organic growth achieved in the period was 3%, an improvement on the flatter growth in the second half of last year. Importantly, the first half of the year did not benefit from the majority of the new customer wins secured in the last six months, whose revenue will start to be recognised in the second half of the year. The Cloud Services EBITDA (before share based payments, acquisition costs and central group overheads) was £20.7m being 42% of revenue (H1 2019: £20.2m (46% of revenue)). We continue to expect Cloud Services to be the driver of revenue and profit growth going forward.

Easyspace

Easyspace provides a range of products to the small and micro business community including a range of domain names, shared hosting, emails and dedicated servers. The Easyspace segment has performed as expected during the period. Our revenues and EBITDA (before share based payments, acquisition costs and central group overheads) from the Easyspace segment were £6.3m (H1 2019: £6.7m) and £3.0m (H1 2019: £3.1m), respectively which represents a small revenue reduction of 5% from the prior period, partially offset by a slightly higher margin percentage. Potential additional revenue from the sale of specific domain registrations creates the opportunity to reverse this small reduction by the year end, supporting our objective of maintaining a stable position from this segment which provides the Group with predictable and strong cash flow.

M&A Activity

There have been no acquisitions completed in the period under review. The M&A market continues to provide opportunities, and our disciplined approach means that we decline a large proportion of companies which come to the market. We believe our segment of the cloud market in the UK and beyond remains fragmented and consolidation opportunities continue to be available. We remain committed to complementing our organic growth through further acquisitions, and the Group remains active in this area.

Financial Performance

Revenue

Overall revenues from our operations grew by 8% to £55.1m (H1 2019: £50.9m).

Our Cloud Services segment grew revenues by 10% to £48.8m (H1 2019: £44.3m). The increase includes the contribution for the full six-month period from the 2018 acquisitions of Bytemark and LDeX during the previous financial year, with organic growth of 3% achieved from the underlying business. We have achieved a noticeable increase in new business wins, which will contribute to revenue in the second half of the year, and are achieving good momentum from our refreshed business development team. This is feeding into our monthly run-rate which gives good visibility to ensuring continued improvement to organic growth ahead of the full year.

Our Easyspace segment has performed in line with expectations over the period with revenues for the first half reducing by £0.4m to £6.3m (H1 2019: £6.7m). Opportunities around renewals for specific domain registration in the next six months could allow for this trend to be reversed over the second half.

Gross Profit

The gross profit in the period, which is calculated by deducting from revenue variable cost of sales such as domain costs, public cloud costs, the cost of hardware and software sold, power, sales commission and the relatively fixed costs of operating our datacentres, increased by 4% to £33.8m (H1 2019: £32.5m). This increase was dampened by the specific mix of business and services sold in the period. The success achieved by our own on-premise IT brand Cristie Data does come with a lower contribution from the reselling element of their solutions offered. In addition, some of the managed cloud solutions recently signed have initial contribution levels lower than the smaller infrastructure only deals from the past. We have not seen any significant individual price change in any of the components of the purchased cost base in the last six months although power costs have seen a generally upward trend for us based on specific electricity contracts. As a result of this changing mix, in percentage terms the gross margin has reduced to 61.2% (H1 2019: 63.8%) although importantly these changes do align with higher growth areas.

Adjusted EBITDA

The Group's adjusted EBITDA grew by 3% to £21.8m (H1 2019: £21.1m) which in EBITDA margin terms translates to 39.5% (H1 2019: 41.5%). The adoption of IFRS 16 lease accounting, which reclassifies previous operating lease rentals to a depreciation and interest charge, has a benefit of £1.5m in the six-month period to the adjusted EBITDA metric. The previously flagged investment in and reorganisation of our commercial operation, combined with the overhead base of the prior year acquisitions, are the drivers for the £1.9m increase in our administrative expenses versus the previous period comparative. This, along with the broader mix of revenue, has reduced our underlying EBITDA generation in the first half of the year.

Cloud Services increased its adjusted EBITDA by 3% to £20.7m (H1 2019: £20.2m). This reported result includes the impact from the adoption of IFRS 16 lease accounting, the specific mix of business and our investment into our commercial operations previously mentioned which are all solely applicable to the Cloud Services segment. In percentage terms the Cloud Services margin decreased to 42.5% (H1 2019: 45.6%).

The adjusted EBITDA of Easyspace reduced in line with revenue to £3.0m (H1 2019: £3.1m). In percentage terms the margin increased slightly to 47.4% (H1 2019: 46.6%).

Group overheads, which are not allocated to segments, include the cost of the Board, all the running costs of the headquarters in Glasgow, and Group led functions such as human resources, marketing, finance and design. Group overheads saw a small reduction to £2.0m (H1 2019: £2.2m).

Adjusted profit before tax

Depreciation charges of £8.1m (H1 2019: £7.0m) have increased primarily due to the adoption of IFRS 16 lease accounting in the period which has seen £1.5m of previously classified operating lease rental being reclassified as right of use assets with associated depreciation. The charge for the amortisation of intangible assets, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets") has remained static at £1.1m (H1 2019: £1.1m).

Net finance costs were £1.1m (H1 2019: £0.7m). The increase is due to the introduction of a £0.3m IFRS 16 lease interest charge for the first time representing the overall quantum of the unfavourable income statement impact on the adoption of IFRS 16 as interest is weighted towards the earlier period of the lease.

After deducting the charges for depreciation, amortisation, excluding the amortisation of acquired intangible assets, and finance costs from the adjusted EBITDA, the adjusted profit for the period before tax decreased by 8% to £11.5m (H1 2019: £12.4m) representing an adjusted profit before tax margin of 20.8% (H1 2019: 24.4%).

Profit before tax

The measure of adjusted profit before tax is a non-statutory measure which is commonly used to analyse the performance of companies where M&A activity forms a significant part of their activities.

A reconciliation of adjusted profit before tax to reported profit before tax is shown below:

Reconciliation of adjusted profit before tax to profit before tax	**6 months to 30/09/2019 £'000**	**6 months to 30/09/2018 £'000**	**Year to 31/03/2019 £'000**
Adjusted profit before tax	11,489	12,439	25,524
Less: Share based payments	(701)	(226)	(1,008)
Less: Amortisation of acquired intangible assets	(3,084)	(3,294)	(6,492)
Less: Acquisition costs	-	(130)	(351)
Less: Accelerated write-off of arrangement fees on restructuring of banking facility	-	(63)	(63)
Add/(less): Gain/(loss) on revaluation of contingent consideration	709	(1,394)	(1,394)
Profit before tax	**8,413**	**7,332**	**16,216**

The adjusting items in the current period are:

- share based payment charges in the period which increased to £0.7m (H1 2019: £0.2m) as a result of the issue of additional share options;
- charges for the amortisation of acquired intangible assets of £3.1m (H1 2019: £3.3m) which have decreased by £0.2m; and
- gain of £0.7m relating to the reassessment of the provision for contingent consideration on the LDeX acquisition which has seen strong growth since acquisition but behind the earn-out targets established in the sales and purchase agreement. In the prior period, a loss of £1.4m related to the finalisation of the earn-out consideration on the 2017 Sonassi acquisition.

After deducting the charges for share based payments, the amortisation of acquired intangible assets, acquisition costs, the accelerated write-off of arrangement fees and the gain/(loss) on revaluation of contingent consideration, the reported profit before tax is £8.4m (H1 2019: £7.3m).

Taxation and profit for the period

There is a tax charge in the period of £1.4m (H1 2019: £1.5m), which comprises a current taxation charge of £2.3m (H1 2019: £2.3m), and a deferred taxation credit of £0.9m (H1 2019: £0.9m). The headline effective tax rate has reduced to 17% versus 20% in the prior period due to the gain recognised on the revaluation of contingent consideration of £0.7m (H1 2019: £1.4m loss), which is disallowable for tax purposes. This results in a profit for the period from total operations of £7.0m (H1 2019: £5.9m).

Earnings per share

Adjusted diluted earnings per share, which is based on profit for the period attributed to ordinary shareholders before share based payment charges, amortisation of acquired intangible assets, acquisition costs and the tax effect of these items, and the gain/(loss) on revaluation of contingent consideration, was 8.4p (H1 2019: 9.0p), a decrease of 7%.

The measure of adjusted diluted earnings per share as described above is a non-statutory measure which is commonly used to analyse the performance of companies where M&A activity forms a significant part of their activities. Basic earnings per share from continuing operations was 6.4p (H1 2019: 5.4p), an increase of 19%. The calculation of both adjusted diluted earnings per share and basic earnings per share is included at note 3.

Cash flow

The Group generated cash from operations in the period of £20.6m (H1 2019: £14.5m) which retains the consistently strong EBITDA conversion to cash. The prior period included both a non-recurring payment of £2.3m in relation to a software licence audit, and a £1.6m triennial invoice paid upfront in relation to software maintenance. The current period excludes £1.5m of operating rental fees which now appears within financing activities on the adoption of IFRS 16. Expenditure on taxation in the period remained stable at £2.9m (H1 2019: £2.4m), resulting in net cash flow from operating activities in the period of £17.7m (H1 2019: £12.0m).

Expenditure on investing activities of £9.6m (H1 2019: £12.9m) was incurred in the period. £8.4m (H1 2019: £5.8m) was incurred on the acquisition of property, plant and equipment, principally to provide services to our customers. The higher CAPEX in the period is a result of the increased new business wins which see investment required in building new infrastructure platforms for customers, underpinned by long term contracts. We made purchases of intangible assets of £0.5m (H1 2019: £0.5m) plus £0.7m (H1 2019: £0.6m) in respect of the capitalisation of development costs during the period. In the prior year, in respect of M&A activity, £1.9m was paid out for contingent consideration due on acquisitions made in previous periods and £4.2m was incurred on the acquisition of Bytemark in August 2018, net of cash acquired of £0.5m. There have been no such M&A related payments made in the six months to 30 September 2019.

During the first half of the year, net cash used in financing activities was £9.6m (H1 2019: £0.8m cash generated). We generated £0.6m (H1 2019: £0.1m) from the issue of shares as a result of the exercise of options by staff. In the current period we did not make any drawdowns under our bank facility (H1 2019: £10.0m primarily to support M&A related payments) and we made repayments of £2.0m (H1 2019: £3.0m). In the current period we repaid £1.8m of finance leases (H1: 2019: £0.2m) largely driven by the change in classification on the adoption of IFRS 16 lease accounting. We paid £1.0m (H1 2019: £0.8m) of finance charges and made a dividend payment of £5.4m (H1 2019: £5.4m). As a result, cash and cash equivalent balances at the end of the period were £8.6m (H1 2019: £9.4m).

Net Debt

During the period we adopted the IFRS 16 lease accounting which established an additional lease liability of £20.4m on transition, with an equivalent asset value recognised within fixed assets. The net debt position of the Group at the end of the period was £58.7m compared to £39.2m at 31 March 2019 with the increase being from the adoption of the IFRS 16 lease liability. Post adoption of IFRS 16 accounting our multiple of annual adjusted EBITDA to net debt is only increased to 1.3 times which remains a comfortable level of leverage. We still have a significant undrawn amount from our £80m credit facility which matures in September 2022.

Dividend

Maintaining our progressive dividend policy and recognising our confidence in the future, we will pay an interim dividend of 2.60p per share (H1 2019: 2.45p) on 31 January 2020 to shareholders on the register on 20 December 2019, with an ex-dividend date of 19 December 2019. This dividend represents an increase of 6% on the interim dividend of last year and a pay-out ratio of 31% of the adjusted diluted earnings per share for the interim period.

Current trading and outlook

iomart's continued strong trading performance is a reflection of the investments we have made in our sales engine, combined with the strength of our cloud capabilities and business model, the breadth of our customer base and the ongoing growth of our total addressable market. We help companies at all stages of their journey, with a wide portfolio of managed cloud services, which makes us confident about the significant and sustainable market opportunity ahead. Many industries and sectors are only now at the start of the journey to the cloud, which means that the market opportunity remains large and long-term.

The high levels of visibility within our recurring revenue business model and the investments made in our commercial organisation gives increasing confidence that we are well on track for an improving trend in our organic growth rate in line with our expectations. We are confident that we will retain sector leading profitability going forward and the change in mix of business and investment in our commercial organisation in the last year ensures our business is aligned with the higher growth areas within our market. We remain very confident in the Group's long-term prospects.

Angus MacSween
CEO
27 November 2019

Consolidated Interim Statement of Comprehensive Income
Six months ended 30 September 2019

	Note	Unaudited 6 months to 30 September 2019 £'000	Unaudited 6 months to 30 September 2018 £'000	Audited Year to 31 March 2019 £'000
Revenue		55,131	50,947	103,709
Cost of sales		(21,366)	(18,425)	(36,965)
Gross profit		**33,765**	**32,522**	**66,744**
Administrative expenses		(24,968)	(23,113)	(47,952)
Operating profit		**8,797**	**9,409**	**18,792**
Analysed as:				
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payments		**21,756**	**21,122**	**42,232**
Share based payments		(701)	(226)	(1,008)
Acquisition costs	4	-	(130)	(351)
Depreciation	8	(8,096)	(6,953)	(13,091)
Amortisation – acquired intangible assets	7	(3,084)	(3,294)	(6,492)
Amortisation – other intangible assets	7	(1,078)	(1,110)	(2,498)
Gain/(loss) on revaluation of contingent consideration		709	(1,394)	(1,394)
Finance income		18	9	21
Finance costs	5	(1,111)	(692)	(1,203)
Profit before taxation		**8,413**	**7,332**	**16,216**
Taxation	6	(1,433)	(1,470)	(3,339)
Profit for the period from total operations		**6,980**	**5,862**	**12,877**
Other comprehensive income				
Currency translation differences		107	70	(8)
Other comprehensive income/(expense) for the period		**107**	**70**	**(8)**
Total comprehensive income for the period attributable to equity holders of the parent		**7,087**	**5,932**	**12,869**
Basic and diluted earnings per share				
Basic earnings per share	3	6.4 p	5.4 p	11.9 p
Diluted earnings per share	3	6.3 p	5.3 p	11.6 p

Consolidated Interim Statement of Financial Position
As at 30 September 2019

		Unaudited 30 September 2019 £'000	Unaudited 30 September 2018 £'000	Audited 31 March 2019 £'000
ASSETS				
Non-current assets				
Intangible assets – goodwill	7	85,382	79,157	85,382
Intangible assets – other	7	23,669	24,649	25,211
Trade and other receivables		2,760	2,760	2,520
Property, plant and equipment	8	67,397	40,919	47,045
		179,208	**147,485**	**160,158**
Current assets				
Cash and cash equivalents		8,563	9,424	10,069
Trade and other receivables		23,641	17,708	20,794
		32,204	**27,132**	**30,863**
Total assets		**211,412**	**174,617**	**191,021**
LIABILITIES				
Non-current liabilities				
Trade and other payables		(2,017)	-	-
Borrowings	11	(64,162)	(442)	(48,957)
Provisions for other liabilities and charges		(1,147)	(1,801)	(1,115)
Deferred tax liability		(130)	(952)	(939)
		(67,456)	**(3,195)**	**(51,011)**
Current liabilities				
Contingent consideration due on acquisitions	9	(2,300)	(2,826)	(3,009)
Trade and other payables		(30,644)	(26,063)	(30,933)
Current income tax liabilities		(501)	(1,045)	(1,315)
Borrowings	11	(3,138)	(42,138)	(356)
		(36,583)	**(72,072)**	**(35,613)**
Total liabilities		**(104,039)**	**(75,267)**	**(86,624)**
Net assets		**107,373**	**99,350**	**104,397**
EQUITY				
Share capital		1,089	1,084	1,085
Own shares		(70)	(70)	(70)
Capital redemption reserve		1,200	1,200	1,200
Share premium		22,150	21,283	21,518
Merger reserve		4,983	4,983	4,983
Foreign currency translation reserve		59	30	(48)
Retained earnings		77,962	70,840	75,729
Total equity		**107,373**	**99,350**	**104,397**

Consolidated Interim Statement of Cash Flows
Six months ended 30 September 2019

	Unaudited 6 months to 30 September 2019 £'000	Unaudited 6 months to 30 September 2018 £'000	Audited Year to 31 March 2019 £'000
Profit before tax	**8,413**	**7,332**	**16,216**
(Gain)/loss on revaluation of contingent consideration	(709)	1,394	1,394
Finance costs – net	1,093	683	1,182
Depreciation	8,096	6,953	13,091
Amortisation	4,162	4,404	8,990
Share based payments	701	226	1,008
Movement in trade receivables	(2,270)	250	(1,226)
Movement in trade payables	1,087	(4,409)	(1,563)
Cash flow from operations (before payment of exceptional non-recurring cost)	**20,573**	**16,833**	**39,092**
Payment of exceptional non-recurring cost	-	(2,312)	(2,312)
Cash flow from operations	**20,573**	**14,521**	**36,780**
Taxation paid	(2,887)	(2,444)	(5,353)
Net cash flow from operating activities	**17,686**	**12,077**	**31,427**
Cash flow from investing activities			
Purchase of property, plant and equipment	(8,409)	(5,786)	(10,383)
Purchase of Maidenhead freehold	-	-	(5,729)
Development costs	(729)	(634)	(1,412)
Purchase of intangible assets	(466)	(476)	(1,107)
Payment for acquisition of subsidiary undertakings net of cash acquired	-	(4,166)	(11,970)
Contingent consideration paid	-	(1,862)	(4,688)
Net cash used in investing activities	**(9,604)**	**(12,924)**	**(35,289)**
Cash flow from financing activities			
Issue of shares	636	56	292
Drawdown of bank loans	-	10,050	25,860
Repayment of bank loans	(2,000)	(3,000)	(12,200)
Repayment of lease liabilities	(1,750)	(231)	(471)
Finance costs paid	(1,044)	(772)	(1,075)
Finance income received	18	9	21
Dividends paid	(5,448)	(5,336)	(7,991)
Net cash (used in)/generated from financing activities	**(9,588)**	**776**	**4,436**
Net (decrease)/increase in cash and cash equivalents	**(1,506)**	**(71)**	**574**
Cash and cash equivalents at the beginning of the period	10,069	9,495	9,495
Cash and cash equivalents at the end of the period	**8,563**	**9,424**	**10,069**

Consolidated Interim Statement of Changes in Equity
Six months ended 30 September 2019

	Share capital £'000	Own shares EBT £'000	Foreign currency translation reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2018	**1,080**	**(70)**	**(40)**	**1,200**	**21,231**	**4,983**	**70,088**	**98,472**
Profit in the period	-	-	-	-	-	-	5,862	**5,862**
Currency translation differences	-	-	70	-	-	-	-	**70**
Total comprehensive income	**-**	**-**	**70**	**-**	**-**	**-**	**5,862**	**5,932**
Dividends	-	-	-	-	-	-	(5,336)	**(5,336)**
Share based payments	-	-	-	-	-	-	226	**226**
Issue of share capital	4	-	-	-	52	-	-	**56**
Total transactions with owners	**4**	**-**	**-**	**-**	52	**-**	**(5,110)**	**(5,054)**
Balance at 30 September 2018	**1,084**	**(70)**	**30**	**1,200**	**21,283**	**4,983**	**70,840**	**99,350**
Profit in the period	-	-	-	-	-	-	7,015	**7,015**
Currency translation differences	-	-	(78)	-	-	-	-	**(78)**
Total comprehensive income	**-**	**-**	**(78)**	**-**	**-**	**-**	**7,015**	**6,937**
Dividends	**-**	-	-	-	-	-	(2,655)	**(2,655)**
Share based payments	-	-	-	-	-	-	782	**782**
Deferred tax on share based payments	-	-	-	-	-	-	(253)	**(253)**
Issue of share capital	1	-	-	-	235	-	-	**236**
Total transactions with owners	**1**	**-**	**-**	**-**	**235**	**-**	**(2,126)**	**(1,890)**
Balance at 31 March 2019	**1,085**	**(70)**	**(48)**	**1,200**	**21,518**	**4,983**	**75,729**	**104,397**
Profit in the period	-	-	-	-	-	-	6,980	**6,980**
Currency translation differences	-	-	107	-	-	-	-	**107**
Total comprehensive income	**-**	**-**	**107**	**-**	**-**	**-**	**6,980**	**7,087**
Dividends	-	-	-	-	-	-	(5,448)	**(5,448)**
Share based payments	-	-	-	-	-	-	701	**701**
Issue of share capital	4	-	-	-	632	-	-	**636**
Total transactions with owners	**4**	**-**	**-**	**-**	632	**-**	**(4,747)**	**(4,111)**
Balance at 30 September 2019	**1,089**	**(70)**	**59**	**1,200**	**22,150**	**4,983**	**77,962**	**107,373**

Notes to the Half Yearly Financial Information
Six months ended 30 September 2019

1. Basis of preparation

The half yearly financial information does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2019 have been delivered to the Registrar of Companies and included an independent auditor's report, which was unqualified and did not contain a statement under section 493 of the Companies Act 2006.

The half yearly financial information has been prepared using the same accounting policies and estimation techniques as will be adopted in the Group financial statements for the year ending 31 March 2020. The Group financial statements for the year ended 31 March 2019 were prepared under International Financial Reporting Standards as adopted by the European Union. These half yearly financial statements have been prepared on a consistent basis and format with the Group financial statements for the year ended 31 March 2019 except for the adoption of IFRS 16 in the period as described below. The provisions of IAS 34 'Interim Financial Reporting' have not been applied in full.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Statement on pages 3 to 7.

In June 2019, the Group extended the £80m multi option revolving credit facility to mature on 30 September 2022 of which an amount is available to be drawn on for general business purposes should that be required.

At the end of the half year, the Group had net debt of £58.7m (H1 2019: £33.6m). The current period net debt has been impacted by £20.4m of lease liabilities on the adoption of IFRS 16. The Board is comfortable with the net debt position given the strong cash generation of the Group. The Group has considerable financial resources together with long-term contracts with a large number of customers and suppliers across different sectors.

The Group has net current liabilities of £4.4m and has an undrawn multi-option revolving credit facility of £33.7m at 30 September 2019. As a result, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

New accounting standards and interpretations

IFRS 16 – Leases

For contracts in place at the date of transition, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as leases under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of transition. At this date, the Group has also elected to measure the right-of-use assets to an amount equal to the lease liability. Instead of performing an impairment review on the right-of-use assets for operating leases in existence at the date of transition, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise the right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 2.85%.

The following is a reconciliation of total operating lease commitments at 31 March 2019 to the lease liabilities recognised at 1 April 2019:

	£'000
Total operating lease commitments disclosed at 31 March 2019	21,610
Discounted using the lessee's incremental borrowing rate at the date of initial application	(3,126)
Less: low value and short term leases recognised on a straight line basis as expense	(1,516)
Add: adjustments as a result of a different treatment of extension and termination options *	3,453
Total lease liability recognised under IFRS 16 at 1 April 2019 (note 12)	**20,421**

***On adoption of IFRS 16, lease extension options have been extended beyond the non-cancellable period under IAS 17 and rental payments increased on a significant property lease following a rent review in the current period*.**

Leases – Accounting policy applicable from 1 April 2019

The Group as lessee

For any new contracts entered into on or after 1 April 2019, the Group considered whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use of an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group; the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and the Group has the right to direct the use of the identified asset throughout the period of use.

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment where such indicators exist.

Lease payments included in the measurement of the lease liability can be made up of fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

On the balance sheet, right-of-use assets have been included in property, plant and equipment and software and lease liabilities have been included in borrowings.

Leases - Accounting policy applicable before 1 April 2019

The Group as lessee
In accordance with IAS 17 Leases, the economic ownership of a leased asset is deemed to have been transferred to the Group (the lessee) if the Group bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to profit or loss on a straight line basis over the lease term. Lease incentives are spread over the term of the lease. Where a lease is for land and buildings, these are considered separately as to whether there is a finance lease within the lease.

2. Operating segments

Revenue by Operating Segment

	6 months to 30/09/2019			6 months to 30/09/2018			Year to 31/03/2019		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Easyspace	6,316	-	6,316	6,676	-	6,676	13,113	-	13,113
Cloud Services	48,815	1,025	49,840	44,271	991	45,262	90,596	1,912	92,508
	55,131	**1,025**	**56,156**	**50,947**	**991**	**51,938**	**103,709**	**1,912**	**105,621**

Geographical Information
In presenting the consolidated information on a geographical basis, revenue is based on the geographical location of customers. The United Kingdom is the place of domicile of the parent company, iomart Group plc. No individual country other than the United Kingdom contributes a material amount of revenue therefore revenue from outside the United Kingdom has been shown as from Rest of the World.

Analysis of Revenue by Destination

	6 months to 30/09/2019	6 months to 30/09/2018	Year to 31/03/2019
	£'000	£'000	£'000
United Kingdom	46,161	42,943	86,246
Rest of the World	8,970	8,004	17,463
Revenue from operations	**55,131**	**50,947**	**103,709**

Profit by Operating Segment

	6 months to 30/09/2019			6 months to 30/09/2018			Year to 31/03/2019		
	EBITDA before share based payments and acquisition costs	Share based payments, acquisition costs, depreciation & amortisation	Operating profit/(loss)	EBITDA before share based payments and acquisition costs	Share based payments, acquisition costs, depreciation & amortisation	Operating profit/(loss)	EBITDA before share based payments and acquisition costs	Share based payments, acquisition costs, depreciation & amortisation	Operating profit/(loss)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Easyspace	2,994	(707)	2,287	3,109	(753)	2,356	6,182	(1,595)	4,587
Cloud Services	20,722	(11,551)	9,171	20,172	(10,604)	9,568	40,447	(20,486)	19,961
Group overheads	(1,960)	-	(1,960)	(2,159)	-	(2,159)	(4,397)	-	(4,397)
Share based payments	-	(701)	(701)	-	(226)	(226)	-	(1,008)	(1,008)
Acquisition costs	-	-	-	-	(130)	(130)	-	(351)	(351)
Profit before tax and interest	21,756	(12,959)	8,797	21,122	(11,713)	9,409	42,232	(23,440)	18,792
Gain/(loss) on revaluation of contingent consideration			709			(1,394)			(1,394)
Group interest and tax			(2,526)			(2,153)			(4,521)
Profit for the period	**21,756**	**(12,959)**	**6,980**	**21,122**	**(11,713)**	**5,862**	**42,232**	**(23,440)**	**12,877**

Group overheads, share based payments, acquisition costs, interest and tax are not allocated to segments.

3. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, after deducting shares held by the Employee Benefit Trust. Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the total of the weighted average number of ordinary shares in issue during the year after adjusting for the dilutive potential ordinary shares relating to share options. The calculations of earnings per share are based on the following results:

	6 months to 30/09/2019 £'000	6 months to 30/09/2018 (restated*) £'000	Year to 31/03/2019 £'000
Profit for the period and basic earnings attributed to ordinary shareholders	**6,980**	**5,862**	**12,877**

	No	No	No
Weighted average number of ordinary shares:	**000**	**000**	**000**
Called up, allotted and fully paid at start of period	108,510	107,990	107,990
Shares held by Employee Benefit Trust	(141)	(141)	(141)
Issued share capital in the period	305	292	396
Weighted average number of ordinary shares – basic	**108,674**	**108,141**	**108,245**
Dilutive impact of share options	2,876	2,669	2,909
Weighted average number of ordinary shares – diluted	**111,550**	**110,810**	**111,154**
Basic earnings per share	6.4 p	5.4 p	11.9 p
Diluted earnings per share	6.3 p	5.3 p	11.6 p

iomart Group plc assess the performance of the Group by adjusting earnings per share, calculated in accordance with IAS 33, to exclude certain non-trading items. The calculation of the earnings per ordinary share on a basis which excludes such items is based on the following adjusted earnings:

Adjusted earnings per share

	6 months to 30/09/2019 £'000	6 months to 30/09/2018 (restated)* £'000	Year to 31/03/2019 £'000
Profit for the financial period and basic earnings attributed to ordinary shareholders	6,980	5,862	12,877
- Amortisation of acquired intangible assets	3,084	3,294	6,492
- Acquisition costs	-	130	351
- Share based payments	701	226	1,008
- Accelerated write-off of arrangement fees on restructuring of banking facility	-	63	63
- (Gain)/loss on revaluation of contingent consideration	(709)	1,394	1,394
- Tax impact of adjusted items	(718)	(945)	(1,462)
Adjusted profit for the period and adjusted basic earnings attributed to ordinary shareholders	**9,338**	**10,024**	**20,723**
Adjusted basic earnings per share	8.6 p	9.3 p	19.1 p
Adjusted diluted earnings per share	8.4 p	9.0 p	18.6 p

** Following updated analysis, the dilutive impact of share options for the six months ended 30 September 2018 has been restated to increase the number of dilutive options by 1,529,000 shares representing 1.4% of the total diluted weighted average of shares. The impact of this restatement was to reduce diluted earnings per share by 0.1p and adjusted diluted earnings per share by 0.2p.*

4. Acquisition costs

	6 months to 30/09/2019 £'000	6 months to 30/09/2018 £'000	Year to 31/03/2019 £'000
Professional fees	-	130	351
Total acquisition costs for the period	**-**	**130**	**351**

5. Finance costs

	6 months to 30/09/2019 £'000	6 months to 30/09/2018 £'000	Year to 31/03/2019 £'000
Bank loans	(723)	(561)	(1,016)
Lease finance costs (note 12)	(363)	(40)	(85)
Other interest charges	(25)	(28)	(39)
	(1,111)	(629)	(1,140)
Items affecting adjusted profit before tax calculation:			
Accelerated write-off of arrangement fees on restructuring of banking facility	-	(63)	(63)
Finance costs for the period	**(1,111)**	**(692)**	**(1,203)**

6. Taxation

	6 months to 30/09/2019 £'000	6 months to 30/09/2018 £'000	Year to 31/03/2019 £'000
Corporation Tax:			
Tax charge for the period	(2,341)	(2,313)	(4,920)
Effect of different statutory tax rates of overseas jurisdictions	21	(25)	-
Adjustment relating to prior periods	-	-	(119)
Total current taxation charge	(2,320)	(2,338)	(5,039)
Deferred Tax:			
Origination and reversal of temporary differences	861	926	1,661
Adjustment relating to prior periods	-	(58)	24
Effect of different statutory tax rates of overseas jurisdictions	26	-	(8)
Effect of changes in tax rates	-	-	23
Total deferred taxation credit	887	868	1,700
Total taxation charge for the period	**(1,433)**	**(1,470)**	**(3,339)**

The headline effective rate of tax is impacted by the change in the non-taxable gain/(loss) on the revaluation of contingent consideration in both periods. Excluding this item from the profit before tax results in an underlying effective tax rate of 18.6% (H1 2019: 16.8%).

7. Intangible assets

	Goodwill £'000	Acquired Customer relationships £'000	Development Costs £'000	Software £'000	Acquired beneficial contract £'000	Domain names & IP addresses £'000	Total £'000
Cost:							
At 1 April 2018	75,837	47,999	7,781	6,943	86	280	138,926
Additions in the period	-	-	634	541	-	-	1,175
Acquisition of subsidiary	3,320	974	-	14	-	-	4,308
Currency translation differences	-	46	-	-	-	-	46
At 30 September 2018	**79,157**	**49,019**	**8,415**	**7,498**	**86**	**280**	**144,455**
Additions in the period	-	-	778	541	-	-	1,319
Acquisition of subsidiary	6,225	3,806	-	-	-	-	10,031
Currency translation differences	-	(59)	-	-	-	-	(59)
At 31 March 2019	**85,382**	**52,766**	**9,193**	**8,039**	**86**	**280**	**155,746**
Additions in the period	-	51	729	1,840	-	-	2,620
At 30 September 2019	**85,382**	**52,817**	**9,922**	**9,879**	**86**	**280**	**158,366**
Accumulated amortisation:							
At 1 April 2018	-	(27,303)	(5,424)	(3,115)	(41)	(280)	(36,163)
Currency translation differences	-	-	-	(82)	-	-	(82)
Charge for the period	-	(3,291)	(656)	(454)	(3)	-	(4,404)
At 30 September 2018	**-**	**(30,594)**	**(6,080)**	**(3,651)**	**(44)**	**(280)**	**(40,649)**
Currency translation differences	-	-	-	83	-	-	83
Charge for the period	-	(3,201)	(786)	(596)	(4)	-	(4,587)
At 31 March 2019	**-**	**(33,795)**	**(6,866)**	**(4,164)**	**(48)**	**(280)**	**(45,153)**
Charge for the period	-	(3,080)	(718)	(360)	(4)	-	(4,162)
At 30 September 2019	**-**	**(36,875)**	**(7,584)**	**(4,524)**	**(52)**	**(280)**	**(49,315)**
Carrying amount:							
At 30 September 2019	**85,382**	**15,942**	**2,338**	**5,355**	**34**	**-**	**109,051**
At 31 March 2019	85,382	18,971	2,327	3,875	38	-	110,593
At 30 September 2018	79,157	18,425	2,335	3,847	42	-	103,806

8. Property, plant and equipment

	Freehold property £'000	Leasehold property and improve-ments £'000	Datacentre equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:							
At 1 April 2018	2,062	8,540	22,680	70,043	2,398	31	105,754
Additions in the period	-	-	397	4,475	31	-	4,903
Acquisition of subsidiary	1,149	-	-	752	461	-	2,362
Currency translation differences	-	2	-	(2)	4	-	4
At 30 September 2018	**3,211**	**8,542**	**23,077**	**75,268**	**2,894**	**31**	**113,023**
Additions in the period	5,729	33	378	4,781	7	-	10,928
Acquisition of subsidiary	(18)	-	-	1,624	106	-	1,712
Disposals in the period	-	(630)	-	(67)	(83)	-	(780)
Currency translation differences	(12)	(2)	2	5	(4)	-	(11)
At 31 March 2019	**8,910**	**7,943**	**23,457**	**81,611**	**2,920**	**31**	**124,872**
Additions in the period	-	19,910	1,211	7,323	27	11	28,482
Disposals in the period	-	(16)	-	(465)	(61)	(9)	(551)
Currency translation differences	8	-	-	16	-	-	24
At 30 September 2019	**8,918**	**27,837**	**24,668**	**88,485**	**2,886**	**33**	**152,827**
Accumulated depreciation:							
At 1 April 2018	(306)	(3,138)	(11,755)	(48,123)	(1,725)	(21)	(65,068)
Charge for the period	(30)	(283)	(973)	(5,574)	(91)	(2)	(6,953)
Currency translation differences	-	-	7	(86)	(4)	-	(83)
At 30 September 2018	**(336)**	**(3,421)**	**(12,721)**	**(53,783)**	**(1,820)**	**(23)**	**(72,104)**
Charge for the period	(82)	(287)	(907)	(4,743)	(118)	(1)	(6,138)
Disposals in the period	-	198	-	67	83	-	348
Currency translation differences	-	-	(7)	87	(13)	-	67
At 31 March 2019	**(418)**	**(3,510)**	**(13,635)**	**(58,372)**	**(1,868)**	**(24)**	**(77,827)**
Charge for the period	(140)	(1,963)	(654)	(5,201)	(134)	(4)	(8,096)
Disposals in the period	-	16	-	465	61	9	551
Currency translation differences	-	-	-	(58)	-	-	(58)
At 30 September 2019	**(558)**	**(5,457)**	**(14,289)**	**(63,166)**	**(1,941)**	**(19)**	**(85,430)**
Carrying amount:							
At 30 September 2019	**8,360**	**22,380**	**10,379**	**25,319**	**945**	**14**	**67,397**
At 31 March 2019	8,492	4,433	9,822	23,239	1,052	7	47,045
At 30 September 2018	2,875	5,121	10,356	21,485	1,074	8	40,919

As disclosed in note 12, on 1 April 2019, the Group adopted IFRS 16 and recognised a right-of-use asset of £20.4m. £19.7m is recognised within additions to leasehold property and improvements with a corresponding depreciation charge of £1.4m. £0.7m is recognised within additions to datacentre equipment with a corresponding depreciation charge of £0.2m.

9. Contingent consideration due on acquisitions

	30/09/2019 £'000	30/09/2018 £'000	31/03/2019 £'000
Contingent consideration due on acquisitions			
- Sonassi Holding Company Limited	-	(2,639)	-
- Bytemark Holdings Limited	-	(187)	-
- LDeX Group Limited	(2,300)	-	(3,009)
Total contingent consideration due on acquisitions	**(2,300)**	**(2,826)**	**(3,009)**

LDeX Group Limited contingent consideration of £3,009,000 at 31 March 2019 has been revised to £2,300,000 at 30 September 2019 resulting in a gain of £709,000 being included in the Group's consolidated statement of comprehensive income for the six months ended 30 September 2019.

10. Analysis of change in net debt

	Cash and cash equivalents £'000	Bank loans £'000	Lease liabilities £'000	Total £'000
At 1 April 2018	9,495	(35,239)	(830)	(26,574)
New bank loans	-	(10,050)	-	(10,050)
Repayment of bank loans	-	3,000	-	3,000
Impact of effective interest rate	-	283	-	283
Acquired on acquisition of subsidiary	546	-	(430)	116
Currency translation difference	-	-	(4)	(4)
Cash flow	(617)	-	231	(386)
At 30 September 2018	**9,424**	**(42,006)**	**(1,033)**	**(33,615)**
New bank loans	-	(15,810)	-	(15,810)
Repayment of bank loans	-	9,200	-	9,200
Impact of effective interest rate	-	80	-	80
Acquired on acquisition of subsidiary	295	-	-	295
Currency translation difference	-	-	16	16
Cash flow	350	-	240	590
At 31 March 2019	**10,069**	**(48,536)**	**(777)**	**(39,244)**
Lease liabilities on transition to IFRS 16	-	-	(20,421)	(20,421)
Repayment of bank loans	-	2,000	-	2,000
Impact of effective interest rate	-	207	-	207
Additions to lease liabilities	-	-	(1,146)	(1,146)
Currency translation difference	-	-	(15)	(15)
Cash flow	(1,506)	-	1,388	(118)
At 30 September 2019	**8,563**	**(46,329)**	**(20,971)**	**(58,737)**

11. Borrowings

	30/09/2019 £'000	30/09/2018 £'000	31/03/2019 £'000
Current:			
Lease liabilities (note 12)	(3,138)	(132)	(356)
Bank loans	-	(42,006)	-
Total current borrowings	**(3,138)**	**(42,138)**	**(356)**
Non-current:			
Lease liabilities (note 12)	(17,833)	(442)	(421)
Bank loans	(46,329)	-	(48,536)
Total non-current borrowings	**(64,162)**	**(442)**	**(48,957)**
Total borrowings	**(67,300)**	**(42,580)**	**(49,313)**

The Group has an £80m multi option revolving credit facility which expires on 30 September 2022 and can be used by the Group to finance acquisitions, capital expenditure, general business purposes and for the issue of guarantees, bonds or indemnities. Each draw down made under this facility can be for either 3 or 6 months and can either be repaid or continued at the end of the period. Given the terms of the revolving credit facility and the ability for any drawdowns made to be extended well beyond 30 September 2020 at the discretion of the Company, the total amount outstanding has been classified as non-current at 31 March 2019 and 30 September 2019.

Details of the Group's lease liabilities are included in note 12.

12. Leases

The Group leases assets including buildings, fibre contracts, colocation and software contracts. Information about leases for which the Group is a lessee is presented below:

Right-of-use assets

	Leasehold property £'000	Datacentre equipment £'000	Software £'000	Total £'000
Balance at 31 March 2019*	-	509	-	509
Adjustment on transition to IFRS 16	19,748	673	-	20,421
Balance at 1 April 2019 after adoption of IFRS 16	19,748	1,182	-	20,930
Additions	-	-	1,425	1,425
Depreciation charge	(1,374)	(232)	(47)	(1,653)
Balance at 30 September 2019	**18,374**	**950**	**1,378**	**20,702**

The right-of-use assets in relation to leasehold property and datacentre equipment are disclosed as non-current assets and are disclosed within property, plant and equipment at 30 September 2019 (see note 8). The right-of-use assets in relation to software are disclosed as non-current assets and are disclosed within intangibles at 30 September 2019 (note 7).

**net book value of leased assets under IAS 17 as at 31 March 2019*

Lease liabilities

Lease liabilities for right-of-use assets are presented in the balance sheet within borrowings as follows:

	30/09/2019	30/09/2018*	31/03/2019*
	£'000	**£'000**	**£'000**
Lease liabilities (current) (note 11)	3,138	132	356
Lease liabilities (non-current) (note 11)	17,833	442	421
Total lease liabilities	**20,971**	**574**	**777**

**lease liabilities under IAS 17*

Maturity analysis of contractual undiscounted cashflows at 30 September 2019 is:	**30/09/2019**
	£'000
Less than one year	3,636
Two to five years	10,115
More than five years	10,279
Total undiscounted lease liabilities	**24,030**

Amounts recognised in profit and loss

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis. During the six months to 30 September 2019, in relation to leases under IFRS 16 the Group recognised the following amounts in the consolidated income statement:

	6 months to 30/09/2019 £'000
Short term and low value lease expense	595
Depreciation charge	1,606
Amortisation charge	47
Interest expense	363
	2,611

Amounts recognised in the statement of cash flows

	6 months to 30/09/2019 £'000
Short term and low value lease expense within cash flows from operations	595
Repayment of lease liabilities within cash flows from financing activities	1,750
	2,345

13. Availability of half yearly reports

The Company's Interim Report for the six months ended 30 September 2019 will shortly be available to view on the Company's website (www.iomart.com).

INDEPENDENT REVIEW REPORT TO iomart Group plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 which comprises the Consolidated Interim Statement of Comprehensive Income, the Consolidated Interim Statement of Financial Position, the Consolidated Interim Statement of Cash Flows, the Consolidated Interim Statement of Changes in Equity and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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 formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 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 half-yearly financial report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with accounting policies the group intends to use in preparing its next annual financial statements and the AIM Rules of the London Stock Exchange.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
27 November 2019

iomart

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