iomart

HALF YEARLY RESULTS

2020

6 months ended 30 September 2020

Continued resilience, benefiting from high levels of recurring revenue and cash generation

iomart (AIM:IOM), the cloud computing company, is pleased to report its consolidated half yearly results for the period ended 30 September 2020 (H1 2021).

FINANCIAL HIGHLIGHTS

	H1 2021	H1 2020	Change
Revenue	£56.3m	£55.1m	+2%
% of recurring revenue[1]	90%	87%	+3%
Adjusted EBITDA[2]	£20.8m	£21.8m	-4%
Adjusted profit before tax[3]	£9.8m	£11.5m	-15%
Profit before tax	£6.0m	£8.4m	-29%
Adjusted diluted EPS[4]	7.0p	8.4p	-17%
Basic EPS	4.4p	6.4p	-31%
Cash generation from operations	£23.1m	£20.6m	+12%
Interim dividend per share	2.6p	2.6p	0%

- Group benefiting from strong levels of recurring revenues[1]
- Revenue up by 2% to £56.3m. Contribution from the two smaller acquisitions made in the final month of the last financial year offsets some small decline in organic revenues, reflecting the impact of Covid-19 on discretionary on-premise projects together with a reduction in revenues from some legacy areas
- Order levels from existing managed cloud services customers consistent with H1 2020
- Decrease in adjusted EBITDA[2] margin reflects, as expected, the greater uptake of lower-margin but strategically valuable managed cloud solutions. Margin expected to benefit in second half from cost base adjustments and integration of recently acquired businesses
- Adjusted profit before tax[3] and adjusted diluted EPS[4] reflect higher depreciation and software amortisation charges
- Cash generated from operations in the period increased with retention of the consistently strong profit to cash conversion resulting in £20.1m of closing cash
- Period end net debt of £58.1m, comfortable at 1.36 times annualised EBITDA[5]
- Interim dividend maintained at 2.6 pence per share

OPERATIONAL HIGHLIGHTS

- Successful launch of iomart Managed Security Service ("iMSS"), with first new customers secured
- Completion of >£1m transformational IT consultancy project for local government customer, supporting deployment of modern workplace technology
- Planning consent agreed for investment in our London datacentre, in turn reducing our environmental impact
- Investment in operational team to continue delivering first class service to customers
- Smooth transition to new CEO, Reece Donovan, appointed post period-end
- Strategy refresh to "one iomart" commenced with simplified structure and value proposition

OUTLOOK

- Increase in new business discussions in recent months, indicating returning confidence in longer-term IT and digital transformation projects
- Revenue and profit margins expected to benefit in H2 FY2021 from growth from existing customers and operational efficiencies

Statutory Equivalents

A full reconciliation between adjusted and statutory profit before tax is contained within this statement. The largest item is the consistent add back of the non-cash amortisation of acquired intangible assets. The largest variance, period on period, is a £0.4m lower gain on the revaluation of contingent consideration relating to historic acquisitions.

Reece Donovan, CEO commented,

"Whilst we have exciting plans for the future of iomart, the focus in the first half of the year had to be the protection of our people, customers and stakeholders in the face of Covid-19. I am pleased to report such a resilient set of results and would like to thank our team for their continued efforts and commitment. iomart's business model has stood us in good stead and despite the global slowdown in corporate activity, we continue to perform well.

"The previous investments into our sales and operational teams provide us with a strong foundation to accelerate growth once companies regain the economic confidence to make infrastructure transformation decisions. We have no doubt the transition to the cloud will continue for many years to come and that we can play a considerable role in being the enablers of that journey for our customers. We remain confident in the long-term prospects for iomart."

[1] Recurring revenue is the revenue that repeats either under long-term contractual arrangement or on a rolling basis by predictable customer habit.

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

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

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

[5] Annualised EBITDA is the last 12 months of EBITDA for the period ended 30 September 2020.

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

I am delighted to be presenting the first set of financial results as the Company's new CEO, having joined the Company as COO during lockdown in April 2020, before taking over from founder and long-standing CEO Angus MacSween on 1 October 2020. Angus has led iomart fantastically for the past 20 years, building a £100m turnover business, with industry leading margins and a growing reputation in the private cloud market. It is a privilege to start the Company's next chapter.

Whilst we have exciting plans for the future of iomart, the focus in these six months under review had to be the protection of our people and the business in the face of Covid-19. The six months covered by this report coincided almost to the day with the onset of the pandemic in the UK. As with all businesses, the pandemic caused much to be asked of our teams and they have responded with commitment, resilience, and dedication, ensuring our customers have received unwavering levels of support and service. I would like to take this opportunity to thank them for their efforts and continued support in these unusual times.

iomart's business model has stood it in good stead and, despite the global slowdown in corporate activity, continues to perform well. Group revenue was up by 2% for the six months to £56.3m (H1 2020: £55.1m), benefiting from the strong performance of the two acquisitions made at the end of the prior year. Organic revenue was down 4%, as customers delayed discretionary projects and we saw the ongoing small decline in self-managed infrastructure revenue. Reassuringly, order levels from existing managed cloud customers continued at the same levels as in H1 of the prior year, signalling the ongoing health of the business and the value our customers place on the services we deliver. The mix of revenue, some additional investment in our service team and integration of the acquired lower-margin businesses, resulted in adjusted EBITDA of £20.8m (H1 2020: £21.8m) and adjusted profit before tax of £9.8m (H1 2020: £11.5m).

As with many businesses across multiple industries, we saw new business discussions being delayed, but we have subsequently seen those conversations come back onto the table in recent months, indicating that confidence in longer-term IT and digital transformation projects may now be returning. However, conversations of this nature do take time to come to fruition which combined with our revenue recognition policies, means any acceleration in revenue growth from new customer wins will only be seen in FY22. We anticipate some near-term growth in revenues in the second half of the year from within our existing customer base.

Strategy

iomart has delivered on a very consistent basis over a long period. As a result, whilst a review of the strategy is being performed under the new leadership, our expectation is that this will be about refinement, focus and optimisation as opposed to a radical shift in direction. We remain focused on supporting customers on 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. Current new initiatives underway include a review of how the organisation can be simplified via the building of a single team and brand: "one iomart", accelerating the integration of the various brands across the Group. In addition, a project is underway to simplify our value proposition, which is often very technical in approach, aiming to present our solutions and services in a clearer way to allow alignment to our customers' business challenges. Over the coming months we will provide more details on our strategic actions to all stakeholders.

Market

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. These requirements increasingly come with greater security and compliance needs.

Public cloud and the hyperscale giants are now well established, and as is well documented, continue to see high growth globally as many organisations look for Cloud infrastructure and capabilities. Future market growth will continue to be driven by public cloud consumption, however hybrid or multi cloud models will remain a key market feature for many use cases and iomart is well positioned given a long established capability in designing and running private cloud solutions complemented with skills & capabilities for both on-premise solutions and public cloud provisioning and management. The complex and untidy nature of the vast majority of the world's IT infrastructure and demands including security, data sovereignty and compliance provides us with the reassurance there will always be customers who are looking for a long-term, trusted partner in this space.

Operational Review

Cloud Services

The Cloud Services operation entered the year in a good position with the investment and re-organisation of the commercial operations complete and momentum being achieved in organic growth in the second half of the last financial year. Cloud managed services customer relationships and revenue has remained steady in the current period as Covid-19 impacted new customer wins, preventing traditional marketing routes and causing large scale migration plans to be put temporarily on hold. Business development and expansion with existing customers has been easier to achieve and are in line with our expectations.

Cloud Services revenues increased by 3% to £50.3m (H1 2020: £48.8m), benefitting from the acquisitions made in the prior period. Organic Cloud Services revenue declined by 4%, or £2.0m, due to a £1.5m reduction in non-recurring revenue, with higher reductions in on-premise project revenues, due to the impact of Covid-19 on corporate spend, being partially offset by completion of a £1m consultancy project for a local government customer, supporting deployment of modern workplace technology. This was combined with a £0.5m net reduction in recurring revenue driven by a £0.8m reduction in self-managed infrastructure revenues, primarily from smaller legacy customers. This was partially offset by some growth in recurring cloud managed services where our investments are focussed. Cloud Services EBITDA (before share based payments, acquisition costs and central group overheads) was £20.2m being 40.3% of revenue (H1 2020: £20.7m (42.5% of revenue)).

The two acquisitions made in the final month of the last financial year are making a positive contribution to the Group. Despite the restrictions on physically meeting our new colleagues and customers, the integrations of Memset and ServerChoice have progressed well, with improved profitability being delivered during the latter months of the half year.

There were no material changes to our infrastructure in the period, other than the previously reported extension of the London datacentre property lease to 2035. After some delayed planning permission, we have now commenced the replacement of the cooling system in our London datacentre with around £2.0m investment expected during the second half of the year. This investment will continue to reduce the environmental impact of our operations. In the last few months we completed the addition of a third level of diversity into our core fibre network, providing market leading resilience to our services.

Our iomart Managed Security Service ("iMSS") which offers a comprehensive managed service capability across the spectrum of security, with a fully resourced security operation centre ("SOC") was fully launched during the period. While our customers have always benefited from security, a number of new and existing customers have already signed up for this standalone enhanced security offering. Given the ever-increasing threats from cyberattacks on systems and data we expect to see continued uptake.

We continue to expect cloud managed services to be the driver of revenue and profit growth going forward and we are confident the investments made in this area in recent years, and the ongoing strategic initiatives around our value proposition and brand, will drive accelerated organic growth rates in future years.

Easyspace

Easyspace provides a range of products to the small and micro business community including domain names, shared hosting, emails and dedicated servers. The Easyspace segment has performed as expected during the period, delivering revenues and EBITDA (before share based payments, acquisition costs and central group overheads) of £6.0m (H1 2020: £6.3m) and £2.9m (H1 2020: £3.0m), respectively. This represents a small revenue reduction of 4% from the prior period, partially offset by a slightly better margin performance.

Easyspace is competing in a large mass market against some very large competitors. We cannot expect to compete head to head with these larger organisations in terms of new business generation, but we believe we have good levels of renewal rates and customer satisfaction, ensuring that Easyspace will continue to make a positive contribution to the Group's profitability and cash generation.

M&A Activity

M&A activity has been a core element of iomart's strategy, with more than 20 acquisitions completed over the last ten years, funded primarily from our own annual cash generation. During the period we saw less inbound acquisition opportunities as most businesses focussed on dealing with the initial impact of Covid-19 and some potential sale processes were delayed. There were therefore no acquisitions completed in the period under review. We believe that M&A will continue as a core element of our strategy both in terms of acquiring "sticky" recurring customer bases but also the potential to add capabilities and skills to our existing customer offering.

Financial Performance

Revenue

Overall revenues from our operations grew by 2% to £56.3m (H1 2020: £55.1m). We saw a greater share of recurring revenue at 90% (H1 2020: 87%) compared to prior periods as on-premise related sales reduced in the period as customers delayed projects. Recurring revenue growth was 4% driven by the acquisitions in the prior period.

Our Cloud Services segment revenues were up by 3% to £50.3m (H1 2020: £48.8m). The increase includes the contribution for the full six-month period from the two acquisitions of the ServerChoice managed private cloud business and Memset Limited, with a 4% revenue reduction from the underlying business. This reduction is split between reduction in the non-recurring revenue consisting mainly of lower on-premise hardware sales as customers conserved discretionary project spend and reductions from the long tail of smaller customers who utilise mainly self-service dedicated servers. The reduction in the level of dedicated servers from legacy customers continues a trend experienced last year, although at that time this was, to a greater extent, compensated for by new business wins from more complex managed cloud services.

Our Easyspace segment has performed in line with expectations over the period, with revenues for the first half only reducing by £0.3m to £6.0m (H1 2020: £6.3m).

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 2% to £34.4m (H1 2020: £33.8m) at a consistent 61% of revenue. We have not seen any material 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 fixed electricity contracts which were above market during H1 plus to some degree more general increases across licences and support agreements from the larger software/hardware vendors which have not yet been fully passed through to customers.

Adjusted EBITDA

The Group's adjusted EBITDA reduced by 4% to £20.8m (H1 2020: £21.8m) which in EBITDA margin terms translates to 36.9% (H1 2020: 39.5%), broadly consistent with the second half of last year (H2 2020: 37.9%) reflecting the investments made in our organisation last year and broader mix of business. The impact of the acquisitions is the main factor behind the increase in the administration expense (before depreciation, amortisation, share based payment charges and acquisition cost) of £1.6m versus the previous period comparative with only a £0.5m (2.0%) increase within the underlying business. We have made some efficiency adjustments to our own cost base, including within the recently acquired businesses, with only partial impact in the reporting period.

Cloud Services saw a 2% reduction in its adjusted EBITDA to £20.2m (H1 2020: £20.7m). In percentage terms the Cloud Services margin decreased to 40.3% (H1 2020: 42.5%). This EBITDA profitability reflects the reducing revenue contribution from the higher margin legacy self-managed infrastructure, which cannot be fully replaced by the initial profitability of wins within the more complex managed cloud services, along with some investments in the service team in the period plus only a partial benefit from efficiency adjustments made to our cost base.

The adjusted EBITDA of Easyspace reduced in line with the small drop in revenue to £2.9m (H1 2020: £3.0m). In percentage terms the margin increased slightly to 47.8% (H1 2020: 47.4%).

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 increase to £2.3m (H1 2020: £2.0m). The main factor behind this was the increase from two to three Executive Directors in the first six months, reverting to two from 1 October 2020.

Adjusted profit before tax

Depreciation charges of £8.5m (H1 2020: £8.1m) have increased in absolute terms due to the additional datacentre assets within the recent acquisitions but is a consistent percentage of our recurring revenue in the period. The charge for the amortisation of intangible assets, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets") has increased to £1.5m (H1 2020: £1.1m) due to the software purchased during the last financial year linked to customer platforms.

Net finance costs have remained stable at £1.1m (H1 2020: £1.1m).

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 15% to £9.8m (H1 2020: £11.5m) representing an adjusted profit before tax margin of 17.3% (H1 2020: 20.8%).

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 30/09/2020 £'000	6 months to 30/09/2019 £'000	Year to 31/03/2020 £'000
Adjusted profit before tax	9,759	11,489	22,768
Less: Share based payments	(814)	(701)	(1,243)
Less: Amortisation of acquired intangible assets	(2,835)	(3,084)	(6,159)
Less: Acquisition costs	(383)	-	(428)
Add: Gain on revaluation of contingent consideration	290	709	1,856
Profit before tax	6,017	8,413	16,784

The adjusting items in the current period are:

- share based payment charges in the period which increased slightly to £0.8m (H1 2020: £0.7m) as a result of the issue of additional share options;
- charges for the amortisation of acquired intangible assets of £2.8m (H1 2020: £3.1m) which have decreased by £0.3m; and
- gain of £0.3m relating to the reassessment of the provision for contingent consideration on the Memset Limited acquisition given an updated estimate for a particular portion of the monthly recurring revenue which is due to be measured in the month of December 2020.

After deducting the charges for share based payments, the amortisation of acquired intangible assets, acquisition costs and the gain on revaluation of contingent consideration, the reported profit before tax is £6.0m (H1 2020: £8.4m).

Taxation and profit for the period

There is a tax charge in the period of £1.2m (H1 2020: £1.4m), which comprises a current taxation charge of £1.9m (H1 2020: £2.3m), and a deferred taxation credit of £0.7m (H1 2020: £0.9m). The headline effective tax rate has increased to 20% versus 17% in the prior period due to the movement in the tax effect of share based remuneration and the reduction in the non-taxable gain on revaluation of contingent consideration in the current period. This results in a profit for the period from total operations of £4.8m (H1 2020: £7.0m).

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 on revaluation of contingent consideration, was 7.0p (H1 2020: 8.4p).

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 4.4p (H1 2020: 6.4p). 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 £23.1m (H1 2020: £20.6m) with an EBITDA conversion to cash ratio in the period of 111% (H1 2020: 95%). During the period the Group received £2.3m of cash deposit back from our landlord as part of the negotiation of the extension of the London datacentre lease to June 2035. In line with many businesses at the start of the pandemic, we delayed our Q1 VAT payment, being £1.7m, but have subsequently repaid post the 30 September period end. Normalising for these two items takes the EBITDA conversion to cash ratio to 92% in the period, comparable to our historically high levels. Cash payments for corporation taxation in the period fell to £1.9m (H1 2020: £2.9m), resulting in net cash flow from operating activities in the period of £21.3m (H1 2020: £17.7m).

Expenditure on investing activities of £8.8m (H1 2020: £9.6m) was incurred in the period. £7.0m (H1 2020: £8.4m) was incurred on the acquisition of property, plant and equipment, principally to provide services to our customers. We have now received planning permission for the replacement of the cooling system in our London data centre and investments of around £2.0m are expected to be completed during the second half of the year. We made limited purchases of intangible assets (H1 2020: £0.5m) and capitalised £0.6m (H1 2020: £0.7m) in respect of development costs during the period. In the current period, in respect of M&A activity, £1.2m was paid out for contingent consideration due on the LDEX acquisition made in December 2018. There had 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 £7.9m (H1 2019: £9.6m). Any shares issued in the current period under share options was at nominal value (H1 2020: £0.6m). In the current period we made £1.2m drawdowns under our bank facility (H1 2020: £nil) and we made repayments of £1.2m (H1 2020: £2.0m) meaning no net movement in the revolver loan drawn balance in the period. In the current period we repaid £2.9m of lease liabilities (H1 2020: £1.8m). We paid £0.6m (H1 2020: £1.0m) of finance charges and made a dividend payment of £4.3m (H1 2020: £5.4m). As a result, cash and cash equivalent balances at the end of the period were £20.0m (H1 2020: £8.6m).

Net Debt

The net debt position of the Group at the end of the period was £58.1m compared to £57.6m at 31 March 2020 with the small increase being a combination in the increase in the closing cash balance to £20.0m (31 March 2020: £15.5m) net of an increase in the lease liability to £25.3m (31 March 2020: £20.3m) primarily relating to extensions to existing lease arrangements, including the five-year extension to our London data centre. Our multiple of the last 12 months of adjusted EBITDA to net debt is 1.36 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

Recognising our confidence in the future, we will pay an interim dividend at the same level as last year of 2.60p per share (H1 2020: 2.60p) on 29 January 2021 to shareholders on the register on 8 January 2021, with an ex-dividend date of 7 January 2021. This dividend represents a pay-out ratio of 37% (H1 2020: 31%) of the adjusted diluted earnings per share for the interim period.

Current trading and outlook

iomart's high levels of recurring revenue remain a considerable strength in these continued uncertain times, providing high visibility for the remainder of the year. We believe the diversity and limited concentration of our customer base, along with the critical web centric services we provide, will continue to shelter us from any unexpected further worsening of the economic environment in the near future.

We saw signs of improved confidence within new and existing customers as we completed our first half, with a stronger second quarter in terms of orders from existing customers, which we anticipate will have a positive impact on revenues in the second half of the year. We have also seen signs in recent months that business confidence may now be returning, resulting in a growing number of new business discussions, the benefit of which, if secured, would flow through to revenue growth in future years.

We believe it prudent to continue to exercise strong cash management measures and have taken steps to ensure an appropriate cost base in the situation, which alongside the integration of the acquired businesses should result in an improvement in profit margins in the second half of the year.

We started the year with a fully invested commercial organisation, which has been retained, providing us with a stronger foundation to accelerate growth once companies regain the economic confidence to make infrastructure transformation decisions. The Board remains confident in the outlook for the long-term prospects for the Group.

Reece Donovan
Chief Executive Officer
1 December 2020

Consolidated Interim Statement of Comprehensive Income
Six months ended 30 September 2020

	Note	Unaudited 6 months to 30 September 2020 £'000	Unaudited 6 months to 30 September 2019 £'000	Audited Year to 31 March 2020 £'000
Revenue		56,311	55,131	112,581
Cost of sales		(21,897)	(21,366)	(44,093)
Gross profit		34,414	33,765	68,488
Administrative expenses		(27,624)	(24,968)	(51,387)
Operating profit		6,790	8,797	17,101
Analysed as:				
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payments		20,788	21,756	43,510
Share based payments		(814)	(701)	(1,243)
Acquisition costs	4	(383)	-	(438)
Depreciation	8	(8,464)	(8,096)	(15,635)
Amortisation – acquired intangible assets	7	(2,835)	(3,084)	(6,159)
Amortisation – other intangible assets	7	(1,502)	(1,078)	(2,934)
Gain on revaluation of contingent consideration		290	709	1,856
Finance income		13	18	39
Finance costs	5	(1,076)	(1,111)	(2,212)
Profit before taxation		6,017	8,413	16,784
Taxation	6	(1,207)	(1,433)	(3,135)
Profit for the period		4,810	6,980	13,649
Other comprehensive income				
Currency translation differences		(5)	107	98
Other comprehensive (expense)/income for the period		(5)	107	98
Total comprehensive income for the period attributable to equity holders of the parent		4,805	7,087	13,747
Basic and diluted earnings per share				
Basic earnings per share	3	4.4 p	6.4 p	12.5 p
Diluted earnings per share	3	4.3 p	6.3 p	12.2 p

Consolidated Interim Statement of Financial Position
As at 30 September 2020

	Note	Unaudited 30 September 2020 £'000	Unaudited 30 September 2019 £'000	Audited 31 March 2020 £'000
ASSETS				
Non-current assets				
Intangible assets – goodwill	7	86,479	85,382	86,479
Intangible assets – other	7	20,924	23,669	24,631
Trade and other receivables		-	2,760	2,760
Property, plant and equipment	8	76,323	67,397	72,344
		183,726	179,208	186,214
Current assets				
Cash and cash equivalents		20,055	8,563	15,497
Trade and other receivables		22,914	23,641	23,237
		42,969	32,204	38,734
Total assets		226,695	211,412	224,948
LIABILITIES				
Non-current liabilities				
Trade and other payables		(2,479)	(2,017)	(2,283)
Non-current borrowings	11	(75,058)	(64,162)	(70,109)
Provisions for other liabilities and charges		(2,000)	(1,147)	(1,956)
Deferred tax liability		(398)	(130)	(1,146)
		(79,935)	(67,456)	(75,494)
Current liabilities				
Contingent consideration due on acquisitions	9	(989)	(2,300)	(2,480)
Trade and other payables		(29,350)	(30,644)	(31,948)
Current income tax liabilities		(33)	(501)	(3)
Current borrowings	11	(3,062)	(3,138)	(3,029)
		(33,434)	(36,583)	(37,460)
Total liabilities		(113,369)	(104,039)	(112,954)
Net assets		113,326	107,373	111,994
EQUITY				
Share capital		1,092	1,089	1,092
Own shares		(70)	(70)	(70)
Capital redemption reserve		1,200	1,200	1,200
Share premium		22,147	22,150	22,147
Merger reserve		4,983	4,983	4,983
Foreign currency translation reserve		45	59	50
Retained earnings		83,929	77,962	82,592
Total equity		113,326	107,373	111,994

Consolidated Interim Statement of Cash Flows
Six months ended 30 September 2020

	Unaudited 6 months to 30 September 2020 £'000	Unaudited 6 months to 30 September 2019 £'000	Audited Year to 31 March 2020 £'000
Profit before tax	6,017	8,413	16,784
Gain on revaluation of contingent consideration	(290)	(709)	(1,856)
Finance costs – net	1,063	1,093	2,173
Depreciation	8,464	8,096	15,635
Amortisation	4,337	4,162	9,093
Share based payments	814	701	1,243
Movement in trade receivables	3,083	(2,270)	(1,107)
Movement in trade payables	(366)	1,087	(627)
Cash flow from operations	23,122	20,573	41,338
Taxation paid	(1,850)	(2,887)	(4,179)
Net cash flow from operating activities	21,272	17,686	36,619
Cash flow from investing activities			
Purchase of property, plant and equipment	(7,021)	(8,409)	(14,688)
Development costs	(614)	(729)	(1,405)
Purchase of intangible assets	(4)	(466)	(1,065)
Payment for acquisition of subsidiary undertakings net of cash acquired	-	-	(4,156)
Contingent consideration paid	(1,201)	-	-
Finance income received	11	18	39
Net cash used in investing activities	(8,829)	(9,586)	(21,275)
Cash flow from financing activities			
Issue of shares	-	636	636
Drawdown of bank loans	1,150	-	6,150
Repayment of bank loans	(1,150)	(2,000)	(2,000)
Repayment of lease liabilities	(2,946)	(1,750)	(4,686)
Finance costs paid	(652)	(1,044)	(1,734)
Dividends paid	(4,287)	(5,448)	(8,282)
Net cash used in financing activities	(7,885)	(9,606)	(9,916)
Net increase/(decrease) in cash and cash equivalents	4,558	(1,506)	(5,428)
Cash and cash equivalents at the beginning of the period	15,497	10,069	10,069
Cash and cash equivalents at the end of the period	20,055	8,563	15,497

Consolidated Interim Statement of Changes in Equity
Six months ended 30 September 2020

	Share capital	Own shares	Capital redemption reserve	Share premium account	Merger reserve	Foreign currency translation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	1,085	(70)	1,200	21,518	4,983	(48)	75,729	104,397
Profit in the period	-	-	-	-	-	-	6,980	6,980
Currency translation differences	-	-	-	-	-	107	-	107
Total comprehensive income	-	-	-	-	-	107	-	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)	1,200	22,150	4,983	59	77,962	107,373
Profit in the period	-	-	-	-	-	-	6,669	6,669
Currency translation differences	-	-	-	-	-	(9)	-	(9)
Total comprehensive income	-	-	-	-	-	(9)	6,669	6,660
Dividends	-	-	-	-	-	-	(2,834)	(2,834)
Share based payments	-	-	-	-	-	-	542	542
Deferred tax on share based payments	-	-	-	-	-	-	253	253
Issue of share capital	3	-	-	(3)	-	-	-	-
Total transactions with owners	3	-	-	(3)	-	-	(2,039)	(2,039)
Balance at 31 March 2020	1,092	(70)	1,200	22,147	4,983	50	82,592	111,994
Profit in the period	-	-	-	-	-	-	4,810	4,810
Currency translation differences	-	-	-	-	-	(5)	-	(5)
Total comprehensive income	-	-	-	-	-	(5)	4,810	4,805
Dividends	-	-	-	-	-	-	(4,287)	(4,287)
Share based payments	-	-	-	-	-	-	814	814
Total transactions with owners	-	-	-	-	-	-	(3,473)	(3,473)
Balance at 30 September 2020	1,092	(70)	1,200	22,147	4,983	45	83,929	113,326

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 2020 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 2021. The Group financial statements for the year ended 31 March 2020 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 2020. 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 8.

iomart's business model continues to stand it in good stead and despite the global slowdown in corporate activity driven by Covid-19, continues to perform well. The Group's high levels of recurring revenue remains a considerable strength in these uncertain times, providing high levels of forecast visible revenue. The Group continue to exercise strong cash management measures and believe the diversity and limited concentration of our customer base, along with the critical web centric services we provide, will continue to shelter us from the worst of the expected economic pressures over the coming period.

The Group has access to a £80m multi option revolving credit facility that matures on 30 September 2022 of which £8m (annually) is available to be drawn on for general business purposes should that be required. The directors are of the opinion that the Group can operate within the current facility and comply with its banking covenants.

At the end of the half year, the Group had net debt of £58.1m (H1 2020: £58.7m). The Board is comfortable with the net debt position given the strong cash generation of the Group and has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks.

After making enquiries, the directors have a reasonable expectation that the Group will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2. Operating segments

Revenue by Operating Segment

	6 months to 30/09/2020 £'000	6 months to 30/09/2019 £'000	Year to 31/03/2020 £'000
Easyspace	6,045	6,316	12,792
Cloud Services	50,266	48,815	99,789
	56,311	55,131	112,581

2. Operating segments (continued)

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 30/09/2020 £'000	6 months to 30/09/2019 £'000	Year to 31/03/2020 £'000
United Kingdom	45,054	46,161	95,333
Rest of the World	11,257	8,970	17,248
Revenue from operations	56,311	55,131	112,581

2. Operating segments (continued)

Profit by Operating Segment

	6 months to 30/09/2020			6 months to 30/09/2019			Year to 31/03/2020		
	EBITDA before share based payments and acquisition costs £'000	Share based payments, acquisition costs, depreciation & amortisation £'000	Operating profit/(loss) £'000	EBITDA before share based payments and acquisition costs £'000	Share based payments, acquisition costs, depreciation & amortisation £'000	Operating profit/ (loss) £'000	EBITDA before share based payments and acquisition costs £'000	Share based payments, acquisition costs, depreciation & amortisation £'000	Operating profit/ (loss) £'000
Easyspace	2,888	(598)	2,290	2,994	(707)	2,287	5,649	(1,459)	4,190
Cloud Services	20,247	(12,203)	8,044	20,722	(11,551)	9,171	42,307	(23,269)	19,038
Group overheads	(2,347)	-	(2,347)	(1,960)	-	(1,960)	(4,446)	-	(4,446)
Share based payments	-	(814)	(814)	-	(701)	(701)	-	(1,243)	(1,243)
Acquisition costs	-	(383)	(383)	-	-	-	-	(438)	(438)
Profit before tax and interest	20,788	(13,998)	6,790	21,756	(12,959)	8,797	43,510	(26,409)	17,101
Gain on revaluation of contingent consideration			290			709			1,856
Group interest and tax			(2,270)			(2,526)			(5,308)
Profit for the period			**4,810**			**6,980**			**13,649**

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 30/09/2020	6 months to 30/09/2019	Year to 31/03/2020
	£'000	£'000	£'000
Profit for the period and basic earnings attributed to ordinary shareholders	4,810	6,980	13,649
	No	No	No
Weighted average number of ordinary shares:	000	000	000
Called up, allotted and fully paid at start of period	109,160	108,510	108,510
Shares held by Employee Benefit Trust	(141)	(141)	(141)
Issued share capital in the period	50	305	436
Weighted average number of ordinary shares – basic	109,069	108,674	108,805
Dilutive impact of share options	3,538	2,876	2,861
Weighted average number of ordinary shares – diluted	112,607	111,550	111,666
Basic earnings per share	4.4 p	6.4 p	12.5 p
Diluted earnings per share	4.3 p	6.3 p	12.2 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 30/09/2020	6 months to 30/09/2019	Year to 31/03/2020
	£'000	£'000	£'000
Profit for the financial period and basic earnings attributed to ordinary shareholders	4,810	6,980	13,649
- Amortisation of acquired intangible assets	2,835	3,084	6,159
- Acquisition costs	383	-	438
- Share based payments	814	701	1,243
- Gain on revaluation of contingent consideration	(290)	(709)	(1,856)
- Tax impact of adjusted items	(693)	(718)	(1,406)
Adjusted profit for the period and adjusted basic earnings attributed to ordinary shareholders	7,859	9,338	18,227
Adjusted basic earnings per share	7.2 p	8.6 p	16.8 p
Adjusted diluted earnings per share	7.0 p	8.4 p	16.3 p

4. Acquisition costs

	6 months to 30/09/2020 £'000	6 months to 30/09/2019 £'000	Year to 31/03/2020 £'000
Professional fees	-	-	438
Non-recurring acquisition integration costs	383	-	-
Total acquisition costs for the period	383	-	438

5. Finance costs

	6 months to 30/09/2020 £'000	6 months to 30/09/2019 £'000	Year to 31/03/2020 £'000
Bank loans	(681)	(723)	(1,545)
Lease finance costs	(361)	(363)	(649)
Other interest charges	(34)	(25)	(18)
Finance costs for the period	(1,076)	(1,111)	(2,212)

6. Taxation

	6 months to 30/09/2020 £'000	6 months to 30/09/2019 £'000	Year to 31/03/2020 £'000
Corporation Tax:			
Tax charge for the period	(1,955)	(2,341)	(3,976)
Effect of different statutory tax rates of overseas jurisdictions	-	21	-
Adjustment relating to prior periods	-	-	357
Total current taxation charge	(1,955)	(2,320)	(3,619)
Deferred Tax:			
Origination and reversal of temporary differences	718	861	367
Adjustment relating to prior periods	-	-	266
Effect of different statutory tax rates of overseas jurisdictions	30	26	(13)
Effect of changes in tax rates	-	-	(136)
Total deferred taxation credit	748	887	484
Total taxation charge for the period	(1,207)	(1,433)	(3,135)

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 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
Additions in the period	-	-	676	650	-	-	1,326
Acquisition of subsidiary	1,097	4,559	-	-	-	56	5,712
Disposals	-	-	-	(173)	-	-	(173)
Currency translation differences	-	38	-	(33)	-	-	5
At 31 March 2020	86,479	57,414	10,598	10,323	86	336	165,236
Additions in the period	-	-	614	4	-	-	618
Currency translation differences	-	(29)	-	(19)	-	-	(48)
At 30 September 2020	86,479	57,385	11,212	10,308	86	336	165,806
Accumulated amortisation:							
At 1 April 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)
Charge for the period	-	(3,079)	(789)	(1,060)	(3)	-	(4,931)
Disposals	-	-	-	173	-	-	173
Currency translation differences	-	-	-	(53)	-	-	(53)
At 31 March 2020	-	(39,954)	(8,373)	(5,464)	(55)	(280)	(54,126)
Charge for the period	-	(2,835)	(751)	(747)	(4)	-	(4,337)
Currency translation differences	-	29	-	31	-	-	60
At 30 September 2020	-	(42,760)	(9,124)	(6,180)	(59)	(280)	(58,403)
Carrying amount:							
At 30 September 2020	86,479	14,625	2,088	4,128	27	56	107,403
At 31 March 2020	86,479	17,460	2,225	4,859	31	56	111,110
At 30 September 2019	85,382	15,942	2,338	5,355	34	-	109,051

During the six month period to 30 September 2020, there were no additions of intangible assets in relation to leased assets. The total amortisation charge on leased assets is £0.1m. See note 12 for further details of right-of-use assets.

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 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	-	-	-	16	-	-	16
At 30 September 2019	8,910	27,837	24,668	88,485	2,886	33	152,819
Additions in the period	-	1,377	271	7,524	30	-	9,202
Acquisition of subsidiary	-	457	1,192	1,540	-	2	3,191
Disposals in the period	-	-	(18)	(157)	(145)	(12)	(332)
Currency translation differences	-	-	-	200	-	-	200
At 31 March 2020	8,910	29,671	26,113	97,592	2,771	23	165,080
Additions in the period	-	7,834	282	4,460	26	-	12,602
Disposals in the period	-	-	-	(36)	-	-	(36)
Currency translation differences	-	(66)	-	(123)	-	-	(189)
At 30 September 2020	8,910	37,439	26,395	101,893	2,797	23	177,457
Accumulated depreciation:							
At 1 April 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)
Charge for the period	(139)	(1,647)	(1,199)	(4,424)	(128)	(2)	(7,539)
Disposals in the period	-	-	18	157	145	12	332
Currency translation differences	-	-	-	(99)	-	-	(99)
At 31 March 2020	(697)	(7,104)	(15,470)	(67,532)	(1,924)	(9)	(92,736)
Charge for the period	(133)	(2,302)	(699)	(5,207)	(119)	(4)	(8,464)
Disposals in the period	-	-	-	36	-	-	36
Currency translation differences	-	2	-	28	-	-	30
At 30 September 2020	(830)	(9,404)	(16,169)	(72,675)	(2,043)	(13)	(101,134)
Carrying amount:							
At 30 September 2020	8,080	28,035	10,226	29,218	754	10	76,323
At 31 March 2020	8,213	22,567	10,643	30,060	847	14	72,344
At 30 September 2019	8,360	22,380	10,379	25,319	945	14	67,397

During the six month period to 30 September 2020, there were additions of £3.4m to leasehold property and improvements and £4.2m to datacentre equipment in relation to leased assets. The total depreciation charge on leased assets is £1.9m. See note 12 for further details of right-of-use assets.

9. Contingent consideration due on acquisitions

	30/09/2020 £'000	30/09/2019 £'000	31/03/2020 £'000
Contingent consideration due on acquisitions			
- ServerChoice	(779)	-	(827)
- Memset Limited	(210)	-	(500)
- LDeX Group Limited	-	(2,300)	(1,153)
Total contingent consideration due on acquisitions	**(989)**	**(2,300)**	**(2,480)**

Subsequent to the period end, the ServerChoice deferred consideration was settled in full at the value provided at 31 March 2020. In the current period, the gain on revaluation of contingent consideration of £0.3m relates to the reassessment of the provision for contingent consideration on the Memset Limited acquisition from £0.5m to £0.2m given an updated estimate for a particular portion of the monthly recurring revenue which is due to be measured in the month of December 2020.

10. Analysis of change in net cash/(debt)

	Cash and cash equivalents £'000	Bank loans £'000	Lease liabilities £'000	Total net cash/(debt) £'000
At 1 April 2019	10,069	(48,536)	(777)	(39,244)
Lease liabilities on transition to IFRS 16	-	-	(20,421)	(20,421)
Additions to lease liabilities	-	-	(1,146)	(1,146)
Repayment of bank loans	-	2,000	-	2,000
Impact of effective interest rate	-	207	-	207
Currency translation difference	-	-	(15)	(15)
Cash and cash equivalents cash outflow	(1,506)	-	-	(1,506)
Lease liabilities cash outflow	-	-	1,388	1,388
At 30 September 2019	**8,563**	**(46,329)**	**(20,971)**	**(58,737)**
Additions to lease liabilities	-	-	(398)	(398)
New bank loans	-	(6,150)	-	(6,150)
Impact of effective interest rate	-	(312)	-	(312)
Acquired on acquisition of subsidiary	-	-	(1,705)	(1,705)
Currency translation difference	-	-	15	15
Cash and cash equivalents cash inflow	6,934	-	-	6,934
Lease liabilities cash outflow	-	-	2,712	2,712
At 31 March 2020	**15,497**	**(52,791)**	**(20,347)**	**(57,641)**
Additions to lease liabilities	-	-	(7,622)	(7,622)
New bank loans	-	(1,150)	-	(1,150)
Repayment of bank loans	-	1,150	-	1,150
Cash and cash equivalents cash inflow	4,558	-	-	4,558
Lease liabilities cash outflow	-	-	2,640	2,640
At 30 September 2020	**20,055**	**(52,791)**	**(25,329)**	**(58,065)**

11. Borrowings

	30/09/2020 £'000	30/09/2019 £'000	31/03/2020 £'000
Current:			
Lease liabilities (note 12)	(3,062)	(3,138)	(3,029)
Total current borrowings	(3,062)	(3,138)	(3,029)
Non-current:			
Lease liabilities (note 12)	(22,267)	(17,833)	(17,318)
Bank loans	(52,791)	(46,329)	(52,791)
Total non-current borrowings	(75,058)	(64,162)	(70,109)
Total borrowings	**(78,120)**	**(67,300)**	**(73,138)**

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 beyond 30 September 2021 at the discretion of the Company, the total amount outstanding has been classified as non-current.

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
Cost at 1 April 2019	19,748	1,182	-	20,930
Additions	-	-	1,425	1,425
Depreciation charge	(1,374)	(232)	-	(1,606)
Amortisation charge	-	-	(47)	(47)
Net book value at 30 September 2019	**18,374**	**950**	**1,378**	**20,702**
Additions	47	72	-	119
Acquired on acquisition of subsidiary	457	-	-	457
Depreciation charge	(1,384)	(234)	-	(1,618)
Amortisation charge	-	-	(143)	(143)
Net book value at 31 March 2020	**17,494**	**788**	**1,235**	**19,517**
Additions	3,438	4,184	-	7,622
Depreciation charge	(1,229)	(638)	-	(1,867)
Amortisation charge	-	-	(143)	(143)
Net book value at 30 September 2020	**19,703**	**4,334**	**1,092**	**25,129**

12. Leases (continued)

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 2020 (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 2020 (note 7).

The largest element of the additions to the right-of-use assets in the six month period to 30 September 2020 relates to extensions to existing lease arrangements including the five year extension to our main London data centre.

Lease liabilities

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

	30/09/2020 £'000	30/09/2019 £'000	31/03/2020 £'000
Lease liabilities (current) (note 11)	(3,062)	(3,138)	(3,029)
Lease liabilities (non-current) (note 11)	(22,267)	(17,833)	(17,318)
Total lease liabilities	**(25,329)**	**(20,971)**	**(20,347)**

The maturity analysis of undiscounted lease liabilities are shown in the table below:

Amounts payable under leases:	30/09/2020 £'000	30/09/2019 £'000	31/03/2020 £'000
Within one year	(3,705)	(3,636)	(3,536)
Between two to five years	(13,176)	(10,115)	(9,823)
After more than five years	(12,569)	(10,279)	(9,709)
	(29,450)	(24,030)	(23,068)
Add: unearned interest	4,121	3,059	2,721
Total lease liabilities	**(25,329)**	**(20,971)**	**(20,347)**

13. Availability of half yearly reports

The Company's Interim Report for the six months ended 30 September 2020 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 2020 which comprises the Consolidated Interim Statement of Comprehensive Income, the Consolidated Interim Statement of Changes in Equity, the Consolidated Interim Statement of Financial Position, the Consolidated Interim Cash Flow Statement 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.

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 Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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 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 2020 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.

Use of our report

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.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
1 December 2020

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