iomart

Half Yearly Results 2018

6 months ended 30 September 2018

4 December 2018

iomart Group plc
("iomart" or the "Group" or the "Company")
Half Yearly Results

iomart (AIM:IOM), the cloud computing company, is pleased to report its consolidated half yearly results for the period ended 30 September 2018.

FINANCIAL HIGHLIGHTS

- Revenue growth of 8% to £50.9m (H1 2018: £47.0m)
- Adjusted EBITDA1 growth of 10% to £21.1m (H1 2018: £19.2m)
- Adjusted profit before tax2 growth of 7% to £12.4m (H1 2018: £11.6m)
- Adjusted diluted earnings per share3 increased by 6% to 9.23p (H1 2018: 8.71p)
- Period end net debt of £33.6m, less than one times annualised EBITDA
- Interim dividend of 2.45p per share (H1 2018: £2.25p)

OPERATIONAL HIGHLIGHTS

- Substantial growth in sales pipeline due to re-structuring of our sales and marketing activities
- Continued investment in cloud hosting products and services to allow us to deliver all elements of a hybrid environment
- Strong focus on efficiency and customer service which ensures market leading profitability
- Further expansion of our UK datacentre resources and points of presence across the globe
- Acquisition of Bytemark, a managed hosting business in York, for total consideration of £4.9m

Statutory Equivalents

The above highlights are based on adjusted results. A full reconciliation between adjusted and statutory results is contained within this statement. The largest variance within the adjustments relates to a net increase in the contingent consideration on 2017 acquisitions, as performance was ahead of expectations within a range of earnings which had a high multiple factor under a ratchet mechanism. Accounting standards require the £1.4m additional consideration to be recorded as a loss within the profit before tax, with no such sum in the prior period comparative. The statutory equivalents of the above results are as follows:

- Profit before tax of £7.3m (H1 2018: £7.8m)
- Basic earnings per share of 5.48p (H1 2018: 5.85p)

Angus MacSween, CEO commented,

"iomart's continued strong trading performance is a reflection of the strength of our cloud capabilities and business model, the breadth of our customer base and the ongoing growth of the cloud 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.

*"*The high levels of visibility within our recurring revenue business model and strong cost control provides stability to our trading performance for the second half of the year, ensuring the full year should deliver a similar overall year on year progression as we have reported in the first half. We remain very confident in 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 non-recurring costs. 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, mark to market adjustments in respect of interest rate swaps, acquisition costs, interest on contingent consideration due, (loss)/gain on revaluation of contingent consideration and non-recurring costs.

[3] Throughout this statement adjusted earnings per share is earnings per share before amortisation charges on acquired intangible assets, share based payment charges, mark to market adjustments in respect of interest rate swaps, acquisition costs, interest on contingent consideration due, (loss)/gain on revaluation of contingent consideration, accelerated write-off of arrangement fees on restructuring of banking facility, and non-recurring costs and the taxation effect of these.

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.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 ("MAR"). Upon the publication of this announcement, this inside information is now considered to be in the public domain.

For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of iomart by Scott Cunningham, Chief Financial Officer.

For further information:

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About iomart Group plc

For over 20 years iomart Group plc (AIM:IOM) has been helping growing organisations to maximise the flexibility, cost effectiveness and scalability of the cloud. From data centres we own and operate in the U.K., and from connected facilities across the globe, we deliver 24/7 storage and protection for data across the most complex of cloud and legacy infrastructures. Our team of over 400 dedicated staff work with our customers at the strategy stage through to delivery and ongoing management, to implement the secure cloud solutions that deliver to their business requirements.

For further information about the Group, please visit www.iomart.com

Chairman's Statement

In my first interim results as Chairman, I am delighted to report a very good trading performance, with Group revenue well ahead of the previous period, having grown by 8% to £50.9m (H1 2018: £47.0m). Our adjusted EBITDA has grown by 10% to £21.1m (H1 2018: £19.2m) and adjusted profit before tax was also up by 7%, to £12.4m (H1 2018: £11.6m).

During this time, we have invested significantly in our sales and marketing engine. We are already seeing the benefits and are confident that this investment, combined with our strong customer retention, will help accelerate organic growth.

There was one acquisition during the period which saw Bytemark Holdings Limited ("Bytemark") join the Group in August 2018, bringing an additional datacentre and increasing our skillset. Strict criteria continue to be applied to potential acquisition targets to ensure that they enhance our overall strategy and are accretive to the financial strength of the Group. We expect M&A activity will continue as an important growth driver for the Group in what remains a highly fragmented market.

The one change to the Board saw Richard Logan stand down as Chief Financial Officer. Over his 12-year tenure Richard was integral in helping shape the Group as it achieved material revenue and profit growth year on year. I would like to thank Richard for his outstanding contribution and I wish him every future success. In his replacement, Scott Cunningham, we have found an exceptional candidate who we are confident will help drive the Group forward to the next level. Since I took up the role of Non-Executive Chairman in late August 2018 we have been conducting the search for an additional independent non-executive director. We expect to have a new appointment in place before our year end.

The Board is pleased to announce a proposed interim cash dividend to shareholders of 2.45p (H1 2018: 2.25p per share). This represents an increase of 9% on the prior year interim dividend and reflects the Board's confidence in the current financial position of the Group and future prospects.

Ian Steele
Chairman
3 December 2018

Chief Executive's Statement

Market

Over the course of the past decade, cloud computing has evolved from being something service providers like iomart told companies they should be adopting, to becoming the technological lifeblood that runs through many modern enterprises. However, many industries and sectors are only now at the start of their journey to the cloud, which means that the market opportunity remains strong and varied. The market continues to grow as technology progresses. The world has an almost insatiable appetite for more bandwidth, faster downloads, more applications, which of course creates ever more data to process, store or back up.

The choices for businesses considering a move to the cloud are ever more complex and the Group has the skills, network and infrastructure to provide solutions across the whole cloud spectrum, including private, hybrid and public cloud. We are well positioned to take advantage of these opportunities and have continued to win good levels of business from both new and existing customers in the period. The majority of our customers are trusting us to manage their webcentric platforms where they are trading or providing online services onwards to their own customers. Platforms generally need to grow in line with our customers' success. It is worth reiterating that our customers are predominantly private companies and we have no material exposure to the public sector within our customer base.

Operational Review

Cloud Services

The Cloud Services operation continues to perform well, delivering an overall revenue growth rate of 10% with organic growth contributing around 4%. We are well through the restructuring of our sales and marketing engine, which commenced at the start of the period, with the new business sales pipeline growing substantially during the first six months of the year. These efforts have included the recruitment of a new senior sales management team, changes to marketing resources, revisions to commission schemes and the rolling out of new group wide marketing toolsets, as well as the beginning of a process to change our group wide CRM system. We are also investing in further automation, customer service and network resilience to provide the best possible service to our customers.

The ecommerce acquisitions made in the previous year have performed strongly as our customers continue to require bigger platforms and we attract more customers to our proprietary Magento ecommerce platform which has been shown to lead in market in terms of robustness and speed.

Our global datacentre footprint continues to expand and we now have points of presence in over 25 locations around the world, as the demand for our services continues to increase internationally. During the period we extended our London datacentre lease until 2030. We expect to take some additional steps to consolidate our UK datacentre estate and provide additional long-term security over our infrastructure.

The acquisition of Bytemark is in line with the Group's strategy to grow via balanced investments into both organic and acquisitive growth and also gives the Group access to additional datacentre space. Bytemark owns a datacentre in York which further augments the stability of our existing datacentre estate. As part of the acquisition we have gained a strong customer base and a workforce with a valuable and complex skillset, especially around the more specific requirements of the software development community.

Our Cloud Services revenues have grown to £44.3m (H1 2018: £40.3m) as a result of our acquisitive and organic activities. The Cloud Services EBITDA (before share based payments, acquisition costs and central group overheads) was £20.2m being 46% of revenue (H1 2018: £18.0m (45% 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 an ever wider 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 have remained consistent at £6.7m (H1 2018: £6.7m) and £3.1m (H1 2018: £3.1m), respectively.

M&A Activity

Financial Performance

On 24 August 2018 we acquired the entire share capital of Bytemark on a no debt, no cash, normalised working capital basis.

The sale and purchase agreement included an earn-out period to 31 March 2019. During November 2018, whilst not part of the original plan, the previous director shareholders of Bytemark indicated that they wished to consider leaving the business early and a negotiated settlement on the earn-out payment of £0.2m was agreed and paid. This, along with the initial consideration of £4.7m paid at completion, results in a total final consideration of £4.9m. The initial payment was funded by a drawdown from the Group's revolving credit facility.

The M&A market continues to provide opportunities and we remain committed to complementing our organic growth through further acquisitions.

Revenue

Overall revenues from our operations grew by 8% to £50.9m (H1 2018: £47.0m).

Our Cloud Services segment grew revenues by 10% to £44.3m (H1 2012: £40.3m). The increase includes the contribution for the full six month period from the acquisitions of Sonassi, Simple Servers and Dediserve during the previous financial year, along with contribution from the short period of ownership from the acquisition of Bytemark during August 2018.

Our Easyspace segment has performed in line with expectations over the period with revenues remaining static at £6.7m (H1 2018: £6.7m). Easyspace continues to deliver extremely strong cash flows and profits to the Group as a whole.

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 8% to £32.5m (H1 2018: £30.0m). This strong increase in absolute gross profit was a direct result of the contribution from the additional revenue generated over the period, including the impact of acquisitions. In percentage terms the gross margin was maintained at 63.8% (H1 2018: 63.9%).

Adjusted EBITDA

The Group's adjusted EBITDA grew by 10% to £21.1m (H1 2018: £19.2m). In percentage terms the adjusted EBITDA margin increased to 41.5% (H1 2018: 40.7%) with the improvement arising in the Cloud Services segment.

Cloud Services increased its adjusted EBITDA by 12% to £20.2m (H1 2018: £18.0m). The improvement in adjusted EBITDA is due to the additional gross margin contribution arising from our organic sales growth, further complemented by a full period of contribution from Simple Servers, Sonassi and Dediserve. In percentage terms the margin increased to 45.6% (H1 2018: 44.6%), the improvement driven by a reduction in staff costs gained by efficiency improvements offset slightly by higher software licence costs.

The adjusted EBITDA of Easyspace was maintained at £3.1m (H1 2018: £3.1m). In percentage terms the margin increased slightly to 46.6% (H1 2018: 45.9%) due in part to the mix of revenue over the period.

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 of £2.2m have increased modestly in the period (H1 2018: £1.9m).

Adjusted profit before tax

Depreciation charges of £7.0m (H1 2018: £6.0m) have increased due to a combination of investment in our datacentre estate and the purchase of equipment to provide services to our new and existing customers. 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 2018: £1.1m).

Adjusted profit before tax (continued)

Net finance costs, excluding the mark to market adjustment on interest swaps on the Company's loans and the interest charge on contingent consideration due, were £0.7m (H1 2018: £0.6m).

After deducting the charges for depreciation, amortisation, excluding the amortisation of acquired intangible assets, and finance costs, excluding the interest charges and the (loss)/gain in respect of contingent consideration due and the mark to market adjustment on interest rate swaps, from adjusted EBITDA the adjusted profit for the period before tax increased by 7% to £12.4m (H1 2018: £11.6m).

The adjusted profit before tax margin for the period remains very stable at 24.4% (H1 2018: 24.6%).

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 30/09/2018**	**6 months to 30/09/2017**	**Year to 31/03/2018**
Adjusted profit before tax	12,439	11,580	24,130
Less: Share based payments	(226)	(398)	(1,206)
Less: Amortisation of acquired intangible assets	(3,294)	(2,831)	(6,449)
Less: Acquisition costs	(130)	(573)	(774)
Less: Accelerated write-off of arrangement fees on restructuring of banking facility	(63)	-	-
Add: Mark to market adjustment on interest rate swaps	-	28	46
Less: Interest on contingent consideration	-	(51)	(51)
(Less)/Add: (Loss)/gain on revaluation of contingent consideration	(1,394)	-	1,335
Less: Non-recurring software license fees relating to prior years	-	-	(2,143)
Profit before tax	**7,332**	**7,755**	**14,888**

The adjusting items are:

- share based payment charges in the period which decreased to £0.2m (H1 2018: £0.4m) as a result of options granted in previous periods not vesting, offset by the issue of additional share options;
- charges for the amortisation of acquired intangible assets of £3.3m (H1 2018: £2.8m) which have increased as a result of the net impact of a full period effect of acquisitions made in previous periods;
- costs of £0.1m (H1 2018: £0.6m) as a result of acquisitions; and
- finance charges of £0.06m (H1 2018: £nil) due to the accelerated release of arrangement fees on the bank borrowing facility which was increased during the period.

A further adjusting item in this period with no comparable amount is a net loss on the revaluation of contingent consideration of £1.4m (H1 2018: £nil). As reported at the year end, the structure of the Sonassi earn-out arrangement, with a high multiple factor under a ratchet mechanism, meant that a modest change in profitability within a certain range could result in a substantial change in the amount due under the earn-out terms. The brand's performance exceeded management expectations in the final months of the earn-out period. As a result, the final payment due on Sonassi of £2.6m, was £1.8m higher than our previous estimate. Offsetting this loss is a gain of £0.4m on the revaluation of the Bytemark contingent consideration with settlement now paid in full.

After deducting the charges for share based payments, the amortisation of acquired intangible assets, acquisition costs, the mark to market adjustment on interest rate swaps, interest charges in respect of contingent consideration, and the (loss)/gain on revaluation of contingent consideration, the reported profit before tax is £7.3m (H1 2018: £7.8m).

Taxation and profit for the period from total operations

There is a tax charge in the period of £1.5m (H1 2018: £1.4m), which comprises a current taxation charge of £2.3m (H1 2018: £2.5m), and a deferred taxation credit of £0.8m (H1 2018: £1.1m). The tax charge for the period has increased because of the net loss recognised on the revaluation of contingent consideration of £1.4m, which is disallowable for tax purposes. This results in a profit for the period from total operations of £5.9m (H1 2018: £6.3m).

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, the mark to market adjustment on interest rate swaps, the interest charges in respect of contingent consideration due, acquisition costs and the tax effect of these items, and the (loss)/gain on revaluation of contingent consideration, was 9.23p (H1 2018: 8.71p), an increase of 6%.

The measure of adjusted 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 5.48p (H1 2018: 5.85p). 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 £14.5m (H1 2018: £17.0m). The period included a payment of £2.3m in relation to a software licence audit for which an exceptional provision was recorded at 31 March 2018. In addition, we paid £1.6m upfront for three years software maintenance, made in order to receive a discount going forward, on a product where we are seeing increasing customer demand. Excluding this triennial invoice and payment of the £2.3m software licence audit fee, cash flow from operations of 87% of our adjusted EBITDA is comparable to the previous reporting period. Expenditure on taxation in the period remained static at £2.4m (H1 2018: £2.4m), resulting in net cash flow from operating activities in the period of £12.0m (H1 2018: £14.6m).

Expenditure on investing activities of £12.9m (H1 2018: £20.9m) was incurred in the period. £5.8m (H1 2018: £8.4m) was incurred on the acquisition of property, plant and equipment, principally to provide services to our customers. We made purchases of intangible assets of £0.5m (H1 2018: £0.7m) plus £0.6m (H1 2018: £0.9m) in respect of the capitalisation of development costs during the period. In respect of M&A activity, £1.9m (H1 2018: £2.0m) was paid out for contingent consideration due on acquisitions made in previous periods and £4.2m (H1 2018: £8.9m 2018 various acquisitions) was incurred on the acquisition of Bytemark in August 2018, net of cash acquired of £0.5m.

There was net cash generated from financing activities of £0.8m (H1 2018: £4.5m net cash used). We generated £0.1m (H1 2018: £0.1m) from the issue of shares as a result of the exercise of options by staff. We made drawdowns under our bank facility of £10.0m (H1 2018: £15.0m) and we made repayments of £3.0m (H1 2018: £3.0m). We repaid £0.2m (H1 2018: £0.2m) of finance leases and incurred £0.8m (H1 2018: £0.9m) of finance charges and made a dividend payment of £5.4m (H1 2018: £6.5m). As a result, cash and cash equivalent balances at the end of the period were £9.4m (H1 2018: £7.1m).

Net Debt

The net debt position of the Group at the end of the period was £33.6m (H1 2018: £24.5m). This represents a multiple of much less than one times our annual adjusted EBITDA which we believe is a very comfortable level of debt to carry. We still have a significant undrawn amount from our £80m credit facility which matures in June 2022.

Dividend

Maintaining our progressive dividend policy, we will pay an interim dividend of 2.45p per share (H1 2018: 2.25p) on 31 January 2019 to shareholders on the register on 21 December 2018, with an ex-dividend date of 20 December 2018. This dividend represents an increase of 9% on the interim dividend of last year and a pay-out ratio of 27% of the adjusted diluted earnings per share for the interim period. We continue to offer shareholders the option to participate in a Dividend Reinvestment Plan (DRIP) as an alternative to receiving cash. Details of the DRIP scheme can be found by visiting our website at the following address www.iomart.com/investors and clicking on the Shareholder Services icon.

Current trading and outlook

iomart's continued strong trading performance is a reflection of 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.

The high levels of visibility within our recurring revenue business model and strong cost control provides stability to our trading performance for the second half of the year, ensuring the full year should deliver a similar overall year on year progression as we have reported in the first half. We remain very confident in the Group's long term prospects.

Angus MacSween
CEO
3 December 2018

Consolidated Interim Statement of Comprehensive Income
Six months ended 30 September 2018

	Note	Unaudited 6 months to 30 September 2018 £'000	Unaudited 6 months to 30 September 2017 (restated note 1) £'000	Audited Year to 31 March 2018 (restated note 1) £'000
Revenue		50,947	47,023	97,804
Cost of sales		(18,425)	(16,988)	(34,785)
Gross profit		**32,522**	**30,035**	**63,019**
Administrative expenses		(23,113)	(21,726)	(46,154)
Administrative expenses – exceptional non-recurring costs		-	-	(2,143)
Operating profit		**9,409**	**8,309**	**14,722**
Analysed as:				
Earnings before interest, tax, depreciation, amortisation, acquisition costs, share based payments and non-recurring costs		**21,122**	**19,155**	**39,934**
Administrative expenses – exceptional non-recurring costs		-	-	(2,143)
Share based payments		(226)	(398)	(1,206)
Acquisition costs	4	(130)	(573)	(774)
Depreciation	8	(6,953)	(5,953)	(12,536)
Amortisation – acquired intangible assets	7	(3,294)	(2,831)	(6,457)
Amortisation – other intangible assets	7	(1,110)	(1,091)	(2,096)
(Loss) / gain on revaluation of contingent consideration		(1,394)	-	1,335
Finance income		9	5	13
Finance costs	5	(692)	(559)	(1,182)
Profit before taxation		**7,332**	**7,755**	**14,888**
Taxation	6	(1,470)	(1,352)	(2,510)
Profit for the period from total operations		**5,862**	**6,403**	**12,378**
Other comprehensive income				
Currency translation differences		70	(100)	(25)
Other comprehensive income/(expense) for the period		**70**	**(100)**	**(25)**
Total comprehensive income for the period attributable to equity holders of the parent		**5,932**	**6,303**	**12,353**
Basic and diluted earnings per share				
Total operations				
Basic earnings per share	3	5.48 p	5.85 p	11.47 p
Diluted earnings per share	3	5.43 p	5.77 p	11.27 p

Consolidated Interim Statement of Financial Position
As at 30 September 2018

	Note	Unaudited 30 September 2018 £'000	Unaudited 30 September 2017 (restated note 1) £'000	Audited 31 March 2018 (restated note 1) £'000
ASSETS				
Non-current assets				
Intangible assets – goodwill	7	79,157	68,461	75,837
Intangible assets – other	7	24,649	22,782	26,926
Lease deposit		2,760	2,760	2,760
Property, plant and equipment	8	40,919	38,648	40,686
		147,485	**132,651**	**146,209**
Current assets				
Cash and cash equivalents		9,424	7,128	9,495
Trade and other receivables		17,708	16,323	18,508
		27,132	**23,451**	**28,003**
Total assets		**174,617**	**156,102**	**174,212**
LIABILITIES				
Non-current liabilities				
Non-current borrowings		(442)	(664)	(503)
Provisions for other liabilities and charges		(1,801)	(1,750)	(1,775)
Deferred tax liability		(952)	(750)	(1,319)
		(3,195)	**(3,164)**	**(3,597)**
Current liabilities				
Contingent consideration due on acquisitions	9	(2,826)	(1,741)	(2,694)
Deferred consideration due on acquisitions		-	(456)	-
Trade and other payables		(26,063)	(23,852)	(29,688)
Provisions		-	-	(2,587)
Current income tax liabilities		(1,045)	(2,198)	(1,608)
Current borrowings		(42,138)	(30,959)	(35,566)
		(72,072)	**(59,206)**	**(72,143)**
Total liabilities		**(75,267)**	**(62,370)**	**(75,740)**
Net assets		**99,350**	**93,732**	**98,472**
EQUITY				
Share capital		1,084	1,078	1,080
Own shares		(70)	(70)	(70)
Capital redemption reserve		1,200	1,200	1,200
Share premium		21,283	21,067	21,231
Merger reserve		4,983	4,983	4,983
Foreign currency translation reserve		30	(115)	(40)
Retained earnings		70,840	65,589	70,088
Total equity		**99,350**	**93,732**	**98,472**

Consolidated Interim Statement of Cash Flows
Six months ended 30 September 2018

	Unaudited	Unaudited	Audited
	6 months to 30 September 2018	6 months to 30 September 2017 (restated note 1)	Year to 31 March 2018 (restated note 1)
	£'000	£'000	£'000
Profit before tax	**7,332**	**7,755**	**14,888**
Loss/(gain) on revaluation of contingent consideration	1,394	-	(1,335)
Finance costs – net	683	554	1,169
Depreciation	6,953	5,953	12,536
Amortisation	4,404	3,922	8,553
Share based payments	226	398	1,206
Movement in trade receivables	250	(440)	(2,245)
Movement in trade payables	(4,409)	(1,096)	6,060
Cash flow from operations (before payment of exceptional non-recurring cost)	**16,833**	**17,046**	**40,832**
Payment of exceptional non-recurring cost	(2,312)	-	-
Cash flow from operations	**14,521**	**17,046**	**40,832**
Taxation paid	(2,444)	(2,405)	(5,236)
Net cash flow from operating activities	**12,077**	**14,641**	**35,596**
Cash flow from investing activities			
Purchase of property, plant and equipment	(5,786)	(8,430)	(16,092)
Capitalisation of development costs	(634)	(850)	(1,577)
Purchase of intangible assets	(476)	(738)	(1,223)
Payment for acquisition of subsidiary undertakings net of cash acquired	(4,166)	(8,903)	(20,143)
Contingent consideration paid	(1,862)	(1,965)	(2,475)
Finance income received	9	5	13
Net cash used in investing activities	**(12,915)**	**(20,881)**	**(41,497)**
Cash flow from financing activities			
Issue of shares	56	58	224
Drawdown of bank loans	10,050	14,956	24,956
Repayment of bank loans	(3,000)	(3,000)	(8,500)
Repayment of finance leases	(231)	(164)	(276)
Finance costs paid	(772)	(929)	(1,029)
Dividends paid	(5,336)	(6,459)	(8,885)
Net cash generated from financing activities	**767**	**4,462**	**6,490**
Net (decrease)/increase in cash and cash equivalents	**(71)**	**(1,778)**	**589**
Cash and cash equivalents at the beginning of the period	9,495	8,906	8,906
Cash and cash equivalents at the end of the period	**9,424**	**7,128**	**9,495**

Consolidated Interim Statement of Changes in Equity
Six months ended 30 September 2018

	Share capital £'000	Own shares EBT £'000	Own shares Treasury £'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 2017	**1,078**	**(70)**	**(50)**	**(15)**	**1,200**	**21,067**	**4,983**	**65,322**	**93,515**
Adoption of IFRS 15	-	-	-	-	-	-	-	(84)	**(84)**
Profit in the period (restated note 1)	-	-	-	-	-	-	-	6,403	**6,403**
Currency translation differences	-	-	-	(100)	-	-	-	-	**(100)**
Total comprehensive income	**-**	**-**	**-**	**(100)**	**-**	**-**	**-**	**6,319**	**6,219**
Dividends	-	-	-	-	-	-	-	(6,459)	**(6,459)**
Share based payments	-	-	-	-	-	-	-	398	**398**
Issue of own shares for option redemption	-	-	50	-	-	-	-	9	**59**
Total transactions with owners	**-**	**-**	**50**	**-**	**-**	**-**	**-**	**(6,052)**	**(6,002)**
Balance at 30 September 2017	**1,078**	**(70)**	**-**	**(115)**	**1,200**	**21,067**	**4,983**	**65,589**	**93,732**
Profit in the period (restated note 1)	-	-	-	-	-	-	-	5,974	**5,974**
Currency translation differences	-	-	-	75	-	-	-	-	**75**
Total comprehensive income	**-**	**-**	**-**	**75**	**-**	**-**	**-**	**5,974**	**6,049**
Dividends	**-**	-	-	-	-	-	-	(2,426)	**(2,426)**
Share based payments	-	-	-	-	-	-	-	808	**808**
Deferred tax on share based payments	-	-	-	-	-	-	-	143	**143**
Issue of share capital	2	-	-	-	-	164	-	-	**166**
Total transactions with owners	**2**	**-**	**-**	**-**	**-**	**164**	**-**	**(1,475)**	**(1,309)**
Balance at 31 March 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 own shares for option redemption	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**

Notes to the Half Yearly Financial Information
Six months ended 30 September 2018

1. Accounting policies

The financial information for the year ended 31 March 2018 set out in this half yearly report does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The figures for the year ended 31 March 2018 have been extracted from the Group financial statements for that year restated for the effects of adopting IFRS 15. Those financial statements 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 2019. The Group financial statements for the year ended 31 March 2018 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 2018, with the exception of the adoption of IFRS 15 and IFRS 9. IFRS 9 has brought in changes to the measurement and disclosure of financial instruments and introduced a new expected credit loss impairment model. The adoption of IFRS 9 does not have a material impact on the Group financial statements. Full disclosure of the impact of IFRS 9 will be reported in our annual report to 31 March 2019. The impact of adopting IFRS 15 is discussed further below. The provisions of IAS 34 'Interim Financial Reporting' have not been applied in full.

New accounting standards and interpretations

IFRS 15 - Revenue from Contracts with Customers
In the current financial period, the Group has adopted IFRS 15 Revenue from Contracts with Customers. The Group has elected to apply the full retrospective method and restate comparative information from prior periods upon adoption of IFRS 15. The Group has not applied any practical expedients in calculating the impact of IFRS 15 as they are not applicable to the Group's revenue streams.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to exchange for those goods or services.

During the year ended 31 March 2018, the Group carried out a detailed review of the recognition criteria for revenue on all aspects of the business and the various revenue streams applying the requirements of IFRS 15 to ensure the same principles were being applied consistently across the Group.

On application of IFRS 15, some changes in accounting policy resulted, principally in the following areas:

- Set-up fees charged on contracts, which were previously recognised upfront when the set-up was complete, are now spread over the life of the contract under IFRS 15 impacting revenue and deferred revenue disclosed within trade and other payables.
- In line with the recognition of revenue, sales commission earned on revenue was previously spread over a twelve-month period, however, is now spread over the life of the contract to which the commission relates impacting cost of sales and deferred commission costs disclosed within trade and other receivables.
- Revenue from the provision of domain names was previously recognised at the point of sale when the title to the domain name passed to the customer. Under IFRS 15, revenue is now split between the registration of the domain and the ongoing services over the period of registration of the domain impacting revenue and deferred revenue disclosed within trade and other payables.

The tables below show the effect of IFRS 15 on the consolidated income statement for the six months to 30 September 2017 and the year to 31 March 2018 and the effect on the statement of financial position as at 30 September 2017 and 31 March 2018. The table also presents the impact on the current period interim results as at 30 September 2018 on adoption of the new accounting policies under IFRS 15.

1. Accounting policies (continued)

Consolidated income statement (extract)	6 months to 30/09/2018 Pre IFRS 15 £'000	IFRS 15 impact £'000	Total £'000	6 months to 30/09/2017 Originally reported £'000	IFRS 15 impact £'000	Restated £'000	Year to 31/03/2018 Originally reported £'000	IFRS 15 impact £'000	Restated £'000
Revenue	50,923	24	**50,947**	47,036	(13)	**47,023**	97,669	135	**97,804**
Cost of sales	(18,284)	(141)	**(18,425)**	(16,992)	4	**(16,988)**	(34,741)	(44)	**(34,785)**
EBITDA	21,239	(117)	**21,122**	19,164	(9)	**19,155**	39,843	91	**39,934**

Statement of financial position (extract)	6 months to 30/09/2018 Pre IFRS 15 £'000	IFRS 15 impact £'000	Total £'000	6 months to 30/09/2017 Originally reported £'000	IFRS 15 impact £'000	Restated £'000	Year to 31/03/2018 Originally reported £'000	IFRS 15 impact £'000	Restated £'000
Trade & other receivables	17,299	409	**17,708**	15,725	598	**16,323**	17,958	550	**18,508**
Trade & other payables	(25,544)	(519)	**(26,063)**	(23,161)	(691)	**(23,852)**	(29,145)	(543)	**(29,688)**
Retained earnings	70,950	(110)	**70,840**	65,682	(93)	**65,589**	70,081	7	**70,088**

**retained earnings movement is based on the cumulative impact on adoption of IFRS 15 under the full retrospective method.*

Following the adoption of IFRS 15, our revenue recognition policies in our operating segments are as follows:

Cloud Services

This operating segment provides managed cloud computing facilities and services including consultancy. Revenue from the sale of cloud computing facilities and managed services is spread evenly over the period of the agreement and only after the service has been established. Set-up fees charged on contracts are spread over the life of the contract. Any unearned portion of revenue is included in payables as deferred revenue. Consultancy services are generally provided on a "time and materials" basis and therefore revenue is recognised as these services are rendered. Revenue from the supply of hardware or software, and the provision of services in respect of installation or training, is recognised when delivery and installation of the equipment is completed. Revenue from the sale of cloud computing facilities and support services is spread evenly over the period of the agreement and only after the service has been established. Any unearned portion of revenue is included in payables as deferred revenue.

Easyspace

This operating segment provides domain name registration and hosting services. Revenue from the provision of domain names is split between the registration of the domain and the ongoing services associated with each domain registration. The ongoing service associated with each domain registration is spread over the length of the registration, whilst the provision of the initial domain registration is recognised at the point of sale. Revenue from the provision of hosting services is recognised evenly over the period of the service and only after the service has been established. Any unearned portion of revenue is included in payables as deferred revenue.

2. Operating segments

Revenue by Operating Segment

	6 months to 30/09/2018			6 months to 30/09/2017 (restated)			Year to 31/03/2018 (restated)		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
Easyspace	6,676	-	6,676	6,700	2	6,702	13,579	2	13,581
Cloud Services	44,271	991	45,262	40,323	716	41,039	84,225	1,389	85,614
	50,947	**991**	**51,938**	**47,023**	**718**	**47,741**	**97,804**	**1,391**	**99,195**

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 30/09/2018 £'000	6 months to 30/09/2017 £'000	Year to 31/03/2018 £'000
United Kingdom	42,943	38,864	79,735
Rest of the World	8,004	8,159	18,069
Revenue from operations	**50,947**	**47,023**	**97,804**

2. Operating segments (continued)

Profit by Operating Segment

	6 months to 30/09/2018			6 months to 30/09/2017 (restated)			Year to 31/03/2018 (restated)		
	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	3,109	(753)	2,356	3,073	(814)	2,259	6,416	(1,636)	4,780
Cloud Services	20,172	(10,604)	9,568	17,974	(9,061)	8,913	37,148	(21,596)	15,552
Group overheads	(2,159)	-	(2,159)	(1,892)	-	(1,892)	(3,630)	-	(3,630)
Share based payments	-	(226)	(226)	-	(398)	(398)	-	(1,206)	(1,206)
Acquisition costs	-	(130)	(130)	-	(573)	(573)	-	(774)	(774)
Profit before tax and interest	21,122	(11,713)	9,409	19,155	(10,846)	8,309	39,934	(25,212)	14,722
(Loss)/gain on revaluation of contingent consideration			(1,394)			-			1,335
Group interest and tax			(2,153)			(1,906)			(3,679)
Profit for the period	**21,122**	**(11,713)**	**5,862**	**19,155**	**(10,846)**	**6,403**	**39,934**	**(25,212)**	**12,378**

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 any own shares held in Treasury and 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 deducting any own shares, and 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 30/09/2018	6 months to 30/09/2017 (restated)	Year to 31/03/2018 (restated)
Total Operations			
	£'000	**£'000**	**£'000**
Profit for the period and basic earnings attributed to ordinary shareholders	**5,932**	**6,303**	**12,353**
	No	**No**	**No**
Weighted average number of ordinary shares:	**000**	**000**	**000**
Called up, allotted and fully paid at start of period	107,990	107,803	107,803
Own shares held in Treasury	-	(54)	(28)
Shares held by Employee Benefit Trust	(141)	(141)	(141)
Issued share capital in the period	292	-	70
Weighted average number of ordinary shares – basic	**108,141**	**107,608**	**107,704**
Dilutive impact of share options	1,140	1,621	1,857
Weighted average number of ordinary shares – diluted	**109,281**	**109,229**	**109,561**
Basic earnings per share	5.48 p	5.85 p	11.47 p
Diluted earnings per share	5.43 p	5.77 p	11.27 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 30/09/2018	6 months to 30/09/2017 (restated)	Year to 31/03/2018 (restated)
	£'000	**£'000**	**£'000**
Profit for the financial and basic earnings attributed to ordinary shareholders	5,932	6,303	12,353
- Amortisation of acquired intangible assets	3,291	2,831	6,449
- Acquisition costs	130	573	774
- Share based payments	226	398	1,206
- Accelerated write-off of arrangement fees on restructuring of banking facility	63	-	-
- Loss/(gain) on revaluation of contingent consideration	1,394		(1,335)
- Non-recurring software licence fees	-	-	2,143
- Mark to market interest adjustment	-	(28)	(46)
- Finance charge on contingent consideration	-	51	51
- Tax impact of adjusted items	(945)	(608)	(1,850)
Adjusted profit for the period and adjusted basic earnings attributed to ordinary shareholders	**10,091**	**9,520**	**19,745**
Adjusted basic earnings per share	9.33 p	8.84 p	18.33 p
Adjusted diluted earnings per share	9.23 p	8.71 p	18.02 p

4. Acquisition costs

	6 months to 30/09/2018 £'000	6 months to 30/09/2017 £'000	Year to 31/03/2018 £'000
Professional fees	130	573	774
Total acquisition costs for the period	**130**	**573**	**774**

During the period costs of £130,000 (H1 2018: £573,000) were incurred in respect of professional fees on acquisitions and there were no costs (H1 2018: £nil) directly related to the integration of acquisitions into the Group.

5. Finance costs

	6 months to 30/09/2018 £'000	6 months to 30/09/2017 £'000	Year to 31/03/2018 £'000
Bank loans	(561)	(439)	(1,000)
Finance leases	(40)	(70)	(124)
Other interest charges	(28)	(27)	(53)
	(629)	(536)	(1,177)
Items affecting adjusted profit before tax calculation:			
Mark to market adjustment on interest rate swaps	-	28	46
Accelerated write-off of arrangement fees on restructuring of banking facility	(63)	-	-
Finance charge on contingent consideration	-	(51)	(51)
Finance costs for the period	**(692)**	**(559)**	**(1,182)**

6. Taxation

	6 months to 30/09/2018 £'000	6 months to 30/09/2017 £'000	Year to 31/03/2018 £'000
Corporation Tax:			
Tax charge for the period	(2,313)	(2,468)	(4,364)
Effect of different statutory tax rates of overseas jurisdictions	(25)	21	-
Adjustment relating to prior periods	-	-	68
Total current taxation charge	(2,338)	(2,447)	(4,296)
Deferred Tax:			
Origination and reversal of temporary differences	926	1,013	1,900
Adjustment relating to prior periods	(58)	84	(15)
Effect of different statutory tax rates of overseas jurisdictions	-	3	(70)
Effect of changes in tax rates	-	(5)	(29)
Total deferred taxation credit	868	1,095	1,786
Total taxation charge for the period	**(1,470)**	**(1,352)**	**(2,510)**

The headline effective rate of tax for the six months to 30 September 2018, based on the taxation charge for the period as a percentage of the profit before tax is 20% (H1 2018: 17%). The main factor which has caused the change period on period is the movement in the loss/(gain) on revaluation of contingent consideration. Excluding this item indicates that 18% would be a more representative effective tax rate for the underling business being broadly consistent with the current UK corporation tax rate.

7. Intangible assets

	Goodwill £'000	Acquired Customer relationships £'000	Acquired Beneficial contracts £'000	Development costs £'000	Software £'000	Domain names & IP addresses £'000	Total £'000
Cost:							
At 1 April 2017	62,000	35,965	86	6,204	4,847	280	109,382
Additions in the period	-	-	-	-	662	-	662
Disposals in the period	-	-	-	-	(10)	-	(10)
Currency translation differences	-	(51)	-	-	(26)	-	(77)
Acquired on acquisition of subsidiary	6,461	5,501	-	-	-	-	11,962
Development costs capitalised	-	-	-	850	-	-	850
At 30 September 2017	**68,461**	**41,415**	**86**	**7,054**	**5,473**	**280**	**122,769**
Additions in the period	-	221	-	-	243	-	464
Currency translation differences	-	(40)	-	-	(16)	-	(56)
Acquired on acquisition of subsidiary	7,376	6,403	-	-	1,243	-	15,022
Development costs capitalised	-	-	-	727	-	-	727
At 31 March 2018	**75,837**	**47,999**	**86**	**7,781**	**6,943**	**280**	**138,926**
Additions in the period	-	-	-	-	541	-	541
Currency translation differences	-	46	-	-	-	-	46
Acquired on acquisition of subsidiary	3,320	974	-	-	14	-	4,308
Development costs capitalised	-	-	-	634	-	-	634
At 30 September 2018	**79,157**	**49,019**	**86**	**8,415**	**7,498**	**280**	**144,455**
Accumulated amortisation:							
At 1 April 2017	-	(20,936)	(33)	(4,183)	(2,297)	(226)	(27,675)
Disposals in the period	-	-	-	-	10	-	10
Currency translation differences	-	44	-	-	17	-	61
Charge for the period	-	(2,827)	(4)	(588)	(476)	(27)	(3,922)
At 30 September 2017	**-**	**(23,719)**	**(37)**	**(4,771)**	**(2,746)**	**(253)**	**(31,526)**
Currency translation differences	-	38	-	-	(44)	-	(6)
Charge for the period	-	(3,622)	(4)	(653)	(325)	(27)	(4,631)
At 31 March 2018	**-**	**(27,303)**	**(41)**	**(5,424)**	**(3,115)**	**(280)**	**(36,163)**
Currency translation differences	-	-	-	-	(82)	-	(82)
Charge for the period	-	(3,291)	(3)	(656)	(454)	-	(4,404)
At 30 September 2018	**-**	**(30,594)**	**(44)**	**(6,080)**	**(3,651)**	**(280)**	**(40,649)**
Carrying amount:							
At 30 September 2018	**79,157**	**18,425**	**42**	**2,335**	**3,847**	**-**	**103,806**
At 31 March 2018	75,837	20,696	45	2,357	3,828	-	102,763
At 30 September 2017	68,461	17,696	49	2,283	2,727	27	91,243

8. Property, plant and equipment

	Freehold property £'000	Leasehold improve-ments £'000	Datacentre equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:							
At 1 April 2017	2,062	7,967	21,169	55,603	2,614	68	89,483
Additions in the period	-	670	600	7,362	10	-	8,642
Acquisition of subsidiary	-	-	-	945	2	-	947
Disposals in the period	-	-	-	(908)	(100)	(48)	(1,056)
Currency translation differences	-	-	-	(103)	-	-	(103)
At 30 September 2017	**2,062**	**8,637**	**21,769**	**62,899**	**2,526**	**20**	**97,913**
Additions in the period	-	97	911	6,935	86	11	8,040
Acquisition of subsidiary	-	-	-	330	(1)	-	329
Disposals in the period	-	(194)	-	(283)	(213)	-	(690)
Currency translation differences	-	-	-	162	-	-	162
At 31 March 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**
Accumulated depreciation:							
At 1 April 2017	(258)	(2,774)	(9,763)	(39,942)	(1,629)	(68)	(54,434)
Charge for the period	(24)	(248)	(959)	(4,591)	(131)	-	(5,953)
Disposals in the period	-	-	-	908	100	48	1,056
Currency translation differences	-	-	-	66	-	-	66
At 30 September 2017	**(282)**	**(3,022)**	**(10,722)**	**(43,559)**	**(1,660)**	**(20)**	**(59,265)**
Charge for the period	(24)	(308)	(1,025)	(4,947)	(278)	(1)	(6,583)
Disposals in the period	-	192	-	283	213	-	688
Currency translation differences	-	-	(8)	100	-	-	92
At 31 March 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)**
Carrying amount:							
At 30 September 2018	**2,875**	**5,121**	**10,356**	**21,485**	**1,074**	**8**	**40,919**
At 31 March 2018	1,756	5,402	10,925	21,920	673	10	40,686
At 30 September 2017	1,780	5,615	11,047	19,340	866	-	38,648

9. Contingent consideration due on acquisitions

	30/09/2018 £'000	30/09/2017 £'000	31/03/2018 £'000
Contingent consideration due on acquisitions			
- Sonassi Holding Company Limited	(2,639)	-	(832)
- Bytemark Holdings Limited (Note 11)	(187)	-	-
- Tier 9 Limited	-	(1,741)	(1,862)
Total contingent consideration due on acquisitions	**(2,826)**	**(1,741)**	**(2,694)**

The Tier 9 Limited contingent consideration of £1,862,000 was paid during the period to 30 September 2018. Sonassi Holdings Company Limited deferred consideration was revalued in the period to 30 September 2018 to reflect the higher than expected profitability of the business during the final earn-out period. This element of the post-acquisition earnings attracted a high multiple factor under the ratchet mechanism with the associated sale and purchase agreement. This resulted in a loss of £1,807,000 being included in the Group's consolidated statement of comprehensive income for the six months ended 30 September 2018, which has been partially offset by the gain of £413,000 relating to Bytemark in the period (note 11).

Subsequent to the 30 September 2018, contingent considerations for Sonassi Holdings Company Limited and Bytemark Holdings Limited were settled fully in cash at the 30 September 2018 balance sheet values noted above.

10. Analysis of change in net debt

	Cash and cash equivalents £'000	Bank loans £'000	Finance leases and hire purchase £'000	Total £'000
At 1 April 2017	8,906	(18,639)	(858)	(10,591)
New bank loans	-	(14,956)	-	(14,956)
Repayment of bank loans	-	3,000	-	3,000
Impact of effective interest rate	-	139	-	139
Acquired on acquisition of subsidiary	718	-	(283)	435
Currency translation difference	-	-	(190)	(190)
Cash flow	(2,496)	-	164	(2,332)
At 30 September 2017	**7,128**	**(30,456)**	**(1,167)**	**(24,495)**
New bank loans	-	(10,000)	-	(10,000)
Repayment of bank loans	-	5,500	-	5,500
Impact of effective interest rate	-	(283)	-	(283)
Acquired on acquisition of subsidiary	3,435	-	566	4,001
Currency translation difference	-	-	211	211
Cash flow	(1,068)	-	(440)	(1,508)
At 31 March 2018	**9,495**	**(35,239)**	**(830)**	**(26,574)**
New bank loans	-	(10,050)	-	(10,050)
Repayment of bank loans	-	3,000	-	3,000
Repayment of finance leases	-	-	231	231
Impact of effective interest rate	-	283	-	283
Acquired on acquisition of subsidiaries	546	-	(430)	116
Currency translation difference	-	-	(4)	(4)
Cash flow	(617)	-	-	(617)
At 30 September 2018	**9,424**	**(42,006)**	**(1,033)**	**(33,615)**

11. Acquisitions

Bytemark Holdings Limited

The Group acquired 100% of the issued share capital of Bytemark Holdings Limited on 24 August 2018. Bytemark Holdings Limited (Holdings) is principally a holding company which owns 100% of the issued share capital of Bytemark Limited (Bytemark).

The Bytemark group provides managed and cloud based hosting services via its owned datacentre in York to a wide range of customers in all sectors of industry from SMEs to larger enterprises. The acquisition is in line with the Group's strategy to grow its operations both organically and by acquisition and gives the group access to additional datacentre space and another customer base.

During the current period the Group incurred £122,000 of third party acquisition related costs in respect of this acquisition. These expenses are included in administrative expenses in the Group's consolidated statement of comprehensive income for the six months ended 30 September 2018.

The following table summarises the consideration to acquire Bytemark and the amounts of identified assets acquired and liabilities assumed at the acquisition date and are provisional.

	£'000
Recognised amounts of net assets acquired and liabilities assumed (provisional):	
Cash and cash equivalents	546
Trade and other receivables	205
Property, plant and equipment	2,362
Intangible assets	988
Trade and other payables	(1,470)
Current borrowings	(290)
Borrowings due after more than 1 year	(140)
Deferred tax liability	(209)
Identifiable net assets	**1,992**
Goodwill	3,320
Total consideration	**5,312**
Satisfied by:	
Cash – paid on acquisition	4,712
Contingent consideration – payable	600
Total consideration to be transferred	**5,312**

The acquisition of Bytemark was completed using a "locked box" mechanism, on a no cash, no debt, and normalised working capital basis. An initial payment of £4,712,000 was made at completion. This initial payment included an amount of £62,000 to settle the adjustments required to the locked box accounts.

The share purchase agreement (SPA) included a provision requiring the Company to pay the former shareholders of Bytemark an additional amount contingent on the level of profitability delivered by Bytemark in the year ending 31 March 2019 ("the earn-out payment").

The potential undiscounted amount of the earn-out payment that the Company could be required to pay is between £nil and £1,000,000. The amount of contingent consideration payable, which was recognised as of the acquisition date, was £600,000. The level of profitability for the earn-out Payment was estimated by applying the income approach to different scenarios based on historic performance and forecasts. Those scenarios reviewed had a range of outcomes for the amount of the earn-out payment of £289,000 to £928,000. A weighted average, based on management estimates of the probability of the achievement of the various levels of profitability, was then calculated to give the expected outcome of the amount of the earn-out payment of £600,000 as of the acquisition date.

11. Acquisitions (continued)

Subsequently, while not part of the original plan, during November 2018, the previous director shareholders of Bytemark indicated that they wished to consider leaving the business early. Driven by this a negotiated settlement on the earn-out payment was agreed. The amount due to be paid by the company, in full and final settlement of all its liabilities to the former shareholders, under the SPA, was fixed at £187,000 and the resulting gain of £413,000 has been included in the Group’s consolidated statement of comprehensive income for the six months ended 30 September 2018.

Bytemark earned revenue of £272,000 and generated profits, before allocation of group overheads, share based payments and tax, of £37,000 in the short period since acquisition.

12. Availability of half yearly reports

The Company's Interim Report for the six months ended 30 September 2018 will shortly be available to view on the Company's website (www.iomart.com).

INDEPENDENT REVIEW REPORT TO IOMART GROUP PLC

Introduction

We have been engaged by the company to review the financial information in the half yearly financial report for the six months ended 30 September 2018 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 the related notes 1 to 12. We have read the other information contained in the half yearly financial report which comprises only the interim results announcement, the chairman's statement and the chief executive's statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Independent Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our review 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 conclusion we have formed.

Directors' Responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules for Companies of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half yearly report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

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 financial information in the half yearly financial report has been prepared in accordance with the basis of preparation in Note 1.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the financial information 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 Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and 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 financial information in the half yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
Statutory auditor, Chartered Accountants
Glasgow

3 December 2018

iomart

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