Half Yearly Results 2022

6 months ended 30 September 2022

iomart

Welcome to straightforward

Proven recurring revenue, cash generation and expanding offering provides foundation for growth

iomart (AIM: IOM), the cloud computing company, is pleased to report its consolidated half yearly results for the period ended 30 September 2022 (H1 2023).

FINANCIAL HIGHLIGHTS

	H1 2023	H1 2022	Change
Revenue	£52.6m	£51.9m	+1%
% of recurring revenue[1]	94%	93%	+1pp
Adjusted EBITDA[2]	£17.8m	£19.6m	-9%
Adjusted profit before tax[3]	£7.4m	£9.1m	-19%
Profit before tax	£4.9m	£6.0m	-18%
Adjusted diluted EPS[4]	5.2p	6.5p	-20%
Basic EPS	3.5p	4.4p	-20%
Cash generation from operations	£14.5m	£17.9m	-19%
Interim dividend per share	1.94p	2.42p	-20%

- Results in line with the pre-close trading update published in early October 2022
- Revenue grew 1% YoY, with the Group continuing to benefit from very strong levels of recurring revenues (94%[1] of Group revenues)
- Concepta acquisition, completed on 15 August 2022, provided £1.3m of revenue and a small positive profit contribution in the final 6 weeks of the period and is performing well
- Stronger customer retention levels in the period provides an improved backdrop as we see pipeline growth from our wider product offering
- Reduction in adjusted EBITDA[2] and adjusted profit before tax[3] reflects the revenue mix and higher staff costs in the period necessary to retain the skills and capabilities that are important for our growth strategy
- Profitability margins, as expected, reflect the changes in revenue mix and the inflationary environment with adjusted EBITDA margin and adjusted profit before tax margin at 33.8% (H1 2022: 37.7%) and 14.1% (H1 2022: 17.5%), respectively
- Cash conversion ratio[6] of 81% is lower than prior period (H1 2022: 91%) due to the specific timing of some vendor payments overlapping period ends, it remains at 95% on a 12-month basis
- Period end net debt of £47.8m, comfortable at 1.3 times annualised EBITDA[5]
- 12-month extension option within the existing £100m revolving bank facility taking expiry to 30 June 2026 agreed post period end, underpinning the Group's five-year growth strategy

OPERATIONAL HIGHLIGHTS

- New security partnership with cyber security specialist e2e-assure in operation with two live customers and a healthy pipeline established
- Acquisition of Concepta was an important step in strengthening our indirect routes to market, while extending the Group's products, skills and capabilities
- Business model and customer arrangements have ensured that wholesale energy price rises have been appropriately passed to our customer base and included in our pricing plans for renewals and new business
- New regional sales leadership team has reshaped the sales structure to align resources with the market opportunities
- New iomart group website launched to support improved online presence and opportunity capture
- Product management team expanded to support portfolio development. In final stages of completing iomart's new multi-tenant cloud platform based on the latest industry leading technology
- Re-contracted our core UK fibre network, refreshing the resilient network that securely connects our data centres, and we have accelerated the upgrade to UPS battery power systems, providing for greater energy efficiency in the future
- Launched a full learning management system internally to support our skills development programmes
- Lucy Dimes appointed as new independent Chair of the Board, bringing a wealth of industry experience

OUTLOOK

- H2 will include the full extent of the energy price uplifts passed onto customers
- As a consequence, the Board expects revenues for the year ending 31 March 2023 will be ahead of their original expectations
- Full year profits are expected to be in line with expectations, with the second half profit showing progress on H1

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 £0.6m lower amortisation of acquired intangible assets as the amortisation periods expire on historic acquisitions.

Reece Donovan, CEO commented,

"This has been another period of considerable operational activity, against the backdrop of ongoing macro-economic challenges. The steps we have taken to strengthen our capabilities and offering, increase effectiveness of our sales activities and our clear focus on execution gives us a stronger foundation to accelerate growth.

We believe the diversity and limited concentration of our customer base, high level of recurring revenue, and strong cash flow generation should shelter us from the worst of the expected economic pressures as the UK enters a recessionary period. The critical nature of the infrastructure and digital services we provide in a growing cloud market will allow us to support businesses well into the future.

Our stronger customer retention levels provide an improved backdrop as we see pipeline growth from our wider product offering, and the Board remains confident in the outlook for the long-term prospects for the Group."

[1] Recurring revenue, as disclosed in note 2, 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, as disclosed in the consolidated interim statement of comprehensive income, is earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges and acquisition costs. 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, as disclosed on page 8, is profit before tax, amortisation charges on acquired intangible assets, share based payment charges and acquisition costs.

[4] Throughout this statement adjusted diluted earnings per share, as disclosed in note 3, is earnings per share before amortisation charges on acquired intangible assets, share based payment charges, acquisition costs and the taxation effect of these.

[5] Annualised EBITDA is the last 12 months of EBITDA for the period ended 30 September 2022.

[6] Cash conversion is calculated as cash flow from operations, as disclosed in the consolidated interim statement of cash flows, divided by adjusted EBITDA defined above. The 12-month basis aggregates the second half of the year to 31 March 2022 and the current 6 month reported period on the same basis of calculation.

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.

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About iomart Group plc

iomart Group plc (AIM: IOM) is a cloud computing and IT managed services business providing hybrid cloud infrastructure, network connectivity, security, and digital workplace capability. Our mission is simple: to make our customers unstoppable by enabling them to connect, secure and scale anywhere, anytime. From our portfolio of data centres we own and operate across the UK to connected sites around the world, our 400-strong team can design and deploy the right cloud solution for our customers.

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

Chief Executive's Statement

Introduction

We have continued to make positive progress against our strategy to build on our existing strong position in the private cloud space, at the same time as re-positioning our offering around the growing hybrid cloud market. We are confident in our strategy and our teams are firmly in execution mode, with a wider product offering and increasing skill set.

The economic outlook represents a period of uncertainty for all, but as we have historically shown, iomart's high levels of recurring revenue, sticky customer base and strong levels of cash generation mean the Group is well positioned to successfully navigate through such turbulences.

Continuing the good progress from the second half of last year, we have seen customer renewal levels return to long-term historic averages which, when combined with our high levels of recurring revenue, provides visibility over our full year financial targets and a solid foundation as we transition towards a secure hybrid cloud offering.

Inflationary challenges are impacting all businesses and we have seen this across most of our cost areas to varying degrees. In particular, the volatility in the wholesale energy market has required significant management focus over the past months to protect the business. iomart's robust business model and customer arrangements have ensured price uplifts have been appropriately passed to our customer base and the framework is now well tested in ensuring pricing can be flexed to match the energy cost base.

The results for the period are in line with our pre-close statement, with revenues up 1% on the prior period to £52.6m, and an adjusted EBITDA of £17.8m reflecting both the revenue mix in the period and our continued investment in upskilling our workforce. We achieved continued strong cash flow, which even after the acquisition, sees us close the period with £17.8m of cash and a comfortable level of leverage with net debt of £47.8m.

We were pleased to resume M&A activity, in line with our strategic plans, with the completion of the Concepta acquisition on 15 August 2022. This fits within our growth plan by extending the Group's product, skills and capabilities, strengthening our direct and indirect routes to market, and complementing the Group's strong financial model.

There have been some changes to the Board in the period with Lucy Dimes joining us on 30 August 2022 as our new Chair. Lucy is an accomplished business leader having operated in senior executive positions in FTSE 100, FTSE 250 and private equity owned companies spanning telecoms, technology, business services and financial services. Her considerable experience and insight will be invaluable to us as we continue to pursue a successful growth strategy. Andrew Taylor, independent Non-Executive Director, will be leaving us on 31 December 2022. The Nomination Committee is undertaking a search for a replacement independent Non-Executive Director, with the intention for the search to be completed by the Company's financial year end.

Strategy

We have a clearly communicated vision which is to position iomart for the next phase of its growth as a recognised leading secure hybrid cloud business. We have been bold by stating in 2021 our aspiration to become a £200m revenue business within five years. Underpinning this was a roadmap with a focus on three main activities:

- New services - focusing on four new service areas – hybrid cloud, security, the future digital workplace and connectivity;
- Complementary acquisitions - to expand the customer base, to acquire new skillsets, and to extend our go-to-market channels; and
- Protect and expand the existing base of run rate revenue and EBITDA, which is underpinned by our existing core private cloud infrastructure.

We have made good progress in each area of the business improvement areas necessary to support growth and realising the milestones that we laid out for delivery in FY23.

Our marketing efforts under the revised branding and simplified value proposition have continued to support iomart brand awareness and improved the level of engagement with new and existing customers. In the period a new iomart group website was launched to support improved online presence and opportunity capture. The last six months has seen an improvement in marketing metrics and a larger pipeline of prospects generating a stronger sales pipeline.

By the end of last year, our newly established product team had fully supported specific campaigns around the growth areas of Digital Workplace, Secure Connectivity and Managed Microsoft Azure. In the last six months, following the signing of our e2e-assure partnership a significant effort has been made in the productisation of our offering for managed cyber security. This has involved full product documentation, sales enablement training plus supporting our marketing efforts with events and publications. Following a few months of up front internal enablement efforts, it is pleasing to see we now have two live customers taking this new service and have developed a healthy pipeline of opportunities. We commissioned an independent research report on the State of UK Cyber and the resulting published report has supported a significant amount of recent business development activities. Globally, cyber instances are on the rise and we now have a highly credible offering for customers to address this everyday threat. We will continue to look to expand this cyber portfolio with a strong focus on Microsoft. During the last six months we have put a large amount of effort into finalisation of the development of iomart's new multi-tenant cloud platform based on the latest industry leading technology. This will provide customers with a cost effective, easy-to-use and resilient cloud solution.

As previously reported, we strengthened our commercial leadership with the appointment in February 2022 of a new Chief Commercial Officer. Since then, the commercial team has seen new regional sales leaders join the business, investment made into a sales operations support team and revised account allocation structure to allow a recently established inside sales team to focus on the long tail of smaller customers. We have made incremental investments in these changes but all within an agreed cost envelope, which we believe is sensible to support our growth strategy by releasing commercial teams to focus on selling.

During the period, we invested in a Learning Management System ("LMS") which will support our skills development programmes and employee engagement. This is an important step, as we strongly believe a continuous learning culture will underpin our future success. In a period of skills shortages, we believe, attracting, developing and retaining our young talent is critical.

Acquisition of Concepta

As announced on 15 August 2022, we successfully completed the first acquisition under our refreshed strategy, acquiring Concepta Capital Limited, a holding company for the ORIIUM and Pavilion IT brands, for an initial cash consideration of £10.5m with the potential of a further £4.0m contingent earn-out payment based on profitability for the 12-months ending 30 June 2023. We also repaid £1.5m of bank debt acquired on completion. This acquisition provides complementary solution capabilities and deep technical expertise in line with iomart's hybrid cloud strategy and a significant new channel partner network, strengthening iomart's indirect route to market.

ORIIUM, established in 2007, is a channel-only organisation working with value added resellers and managed service providers to deliver best in class data and application management solutions to end users. With this acquisition, iomart gains an independent wholesale operation that understands the UK IT channel deeply and has built trust through long-standing strategic partner relationships. Data management is a core element of the Group's hybrid cloud proposition, and ORIIUM materially strengthens iomart's indirect sales channel capabilities, while extending the Group's product and technical skills and capabilities, with an additional 45 technical engineers joining the Group.

Concepta acquired Pavilion IT, a business established for over 30 years, in 2018 and subsequently in 2021 acquired P2 Technologies, a business focussed on the legal & accounting professional services sector to add vertical specialisation. This created a strong direct sales organisation with over 250 customers under one unified operational delivery team offering a range of hybrid and cloud infrastructure technology solutions plus professional services and on-going customer support arrangements. This customer base will have access to iomart's hybrid cloud solutions and services.

Concepta's trading since the acquisition has been in line with management's plan and we continue to stay focussed on our active M&A programme and the identification of appropriate bolt-on acquisitions.

Market

With the insatiable growth in data requirements from across all industries, the demand for the three core cloud building blocks of compute power, storage and connectivity continues to expand. The concept of "Cloud" computing is now globally recognised although the complexity of available options continues to grow. The "public cloud" giants such as Amazon, Microsoft and Google have vastly contributed to this general awareness and consequently, as is well documented, have seen high growth globally as many organisations look for cloud infrastructure, connectivity and enhanced capabilities.

The reality of the situation is that the vast majority of the world's IT infrastructure is complex and untidy in nature which means a hybrid cloud model, using the best combination of on premise, private and public cloud infrastructure will remain a key market feature for businesses. Even if businesses want to use Public Cloud infrastructure fully, many lack the detailed expertise, skills and resources required to manage all the elements. iomart is well positioned to meet this demand given a long-established capability in designing and running private clouds and supporting on premise solutions along with the steps we have taken to continue to complement this with skills and capabilities for public cloud provisioning and management.

Many organisations are increasingly outsourcing these requirements to experts, who can help them navigate a constantly evolving and complex technical landscape, providing high levels of reliability, customer support, flexibility and technical knowledge. These requirements increasingly come with greater security and compliance needs especially as government regulations grow. Many customers are looking for a single point of accountability for all their cloud needs and iomart is well positioned to provide this service going forward particularly for medium to large enterprises.

Operational Review

Cloud Services

Cloud Services revenues increased by £0.6m (1%) to £46.7m (H1 2022: £46.1m). This included £1.3m of revenue for the 6 weeks of trading from the Concepta acquisition. Cloud Services EBITDA (before share-based payments, acquisition costs and central group overheads) was £17.3m being 37.0% of cloud services revenue (H1 2022: £18.9m (40.9% of cloud services revenue)). The reduction of £1.6m in absolute Cloud Services EBITDA is a combination of many moving parts, including timing aspects associated with the inflationary environment, the lower margin of some of our new offerings in comparison to the self-managed infrastructure only deals of earlier years plus greater stability in our team numbers than in the prior period.

The volatility and increases to electricity wholesale prices is a significant challenge for our whole sector. Our business model and customer arrangements have ensured that wholesale energy price rises have been appropriately passed on to our customer base and included in our pricing plans for renewals and new business. The specific timing of price changes means that such increases will have a significantly larger impact in the second half of the year in terms of the related revenue uplift. The government support for businesses, along with hedging put in place, gives certainty for both us and our customers for the next six months. Supported by our energy procurement advisors, we have commenced an appropriate hedging strategy for 2023/24 and onwards. Ensuring pricing is flexed to match the energy cost base remains a high priority and one we see as best practice amongst our competitors.

The following is the disaggregation of Cloud Services revenues of £46.7m (H1 2022: £46.1m):

Disaggregation of Cloud Services revenue	6 months to 30 September 2022 £'000	6 months to 30 September 2021 £'000	Year to 31 March 2022 £'000
Cloud managed services	29,220	28,037	55,745
Self-managed infrastructure	14,308	14,408	28,363
Non-recurring revenue	3,219	3,703	7,128
	46,747	**46,148**	**91,236**

Cloud managed services (recurring revenue)

Cloud managed services includes the provision of fully managed, complex, bespoke and resilient solutions involving private, public and hybrid cloud infrastructure. Over the long-term, we anticipate this will be the highest growth area for iomart due to the market drivers described above.

Customer renewal levels have returned to long-term historic averages which was very positive for the 6-month period and provides a solid foundation as we transition towards a secure hybrid cloud offering. New order bookings remain flat versus the prior period, with the largest contribution continuing to be from our existing customer base. New customer wins have longer sales cycles and we do see caution on commencing large data transformation projects in the current environment. Our pipeline is growing at a reasonable pace giving confidence that our new product launches and marketing approach is paying dividends and the pillars of our growth strategy remain sound.

The Concepta acquisition (mainly the ORIIUM brand) contributed £0.6m of cloud managed services revenue in the 6-week period following the acquisition. We are very pleased to add ORIIUM's strong indirect channel as an additional route to market.

Self-managed infrastructure (recurring revenue)

We have a large customer base of around 6,000 customers, across a number of brands, who wish to source compute power and connectivity mainly through the provision of dedicated servers and manage these directly. Our own regional data centre estate and fibre network positions us well to offer such infrastructure as a service. It is generally recognised that this activity is a lower growth area within the cloud market but continues to offer a cost competitive solution for many use cases and for customers who have retained their own IT skills.

In the first half of this financial year, the self-managed infrastructure revenue of £14.3m represented a small reduction of £0.1m in comparison to the first half of last year. This is a combination of a reduction in the number of our long tail of smaller customers, partially offset by energy price rises passed onto customers, which are more intensive within this area, plus higher new order bookings from an inside sales team established to retain dedicated focus on this area. We will continue to allocate resources to ensure we provide this customer base with resilient, cost effective and increasingly automated solutions.

Our UK owned infrastructure is an important part of the delivery of our recurring revenue services, a differentiator in the market and allows more of the value add to be retained by iomart. During the period we re-contracted our core UK fibre network. This refreshes the resilient network that securely connects our data centres together, with the implementation to be undertaken during the course of 2023. We had already commenced the upgrade to our uninterruptible power systems ("UPS") in our core data centres last year. However, given the increase in energy costs we have accelerated this as the new systems offer improved energy efficiencies. This programme is around £3.5m of spend and will be part of a rolling programme over the coming 18 months.

Non-recurring revenue

Non-recurring revenue of £3.2m (H1 2022: £3.7m) relates primarily to on premise product reselling via our Cristie Data brand plus consultancy projects. Often these non-recurring activities provide an interesting initial introduction to the wider iomart Group and evolve customers into a higher level of recurring services. The Concepta acquisition in August 2022 included the Pavilion IT brand, which primarily undertakes similar reselling and professional services activity. This added £0.7m of non-recurring revenue post acquisition, meaning excluding acquisition impact, the underlying reduction in non-recurring revenue was £1.2m. The economic situation in some of our customer base has slowed down hardware refresh activity but we are also reviewing our specific product proposition to ensure it avoids the more commoditised areas, matches our deeper skills, for example in data management, and at the same time will allow facilitation over time to iomart's core recurring revenues.

Easyspace

The Easyspace segment has performed well during the period, delivering stable revenues and improved EBITDA (before share based payments, acquisition costs and central group overheads) of £5.8m (H1 2022: £5.8m) and £2.9m (H1 2022: £2.6m), respectively.

The global domain name and mass market hosting sector continues to grow, supported by the increasing importance of an internet presence and ecommerce for all areas of the economy, including the small and micro business community represented within our Easyspace division. A smaller number of large global operators increasingly dominates this sector, and we recognised a long time ago that the marketing spends required to compete for new business in this specific area was not the best use of iomart's resources. However, we do ensure our customer base of around 60,000 customers are well served with a good range of products and importantly a high level of customer service. This level of attention is ensuring a strong level of renewal rates with customers.

Financial Performance

Revenue

Overall revenue from our operations increased by 1% to £52.6m (H1 2022: £51.9m). We saw a greater share of recurring revenue at 94% (H1 2022: 93%) compared to prior periods as non-recurring activity levels reduced. We remain focussed on retaining our recurring revenue business model with the combination of multi-year contracts and payments in advance providing us with good revenue visibility. Our Cloud Services segment revenues increased by 1% to £46.7m (H1 2022: £46.1m). Our Easyspace segment has performed well over the period, with revenues for the first half stable at £5.8m (H1 2022: £5.8m).

Gross Profit

The gross profit in the period was relatively flat at £31.2m (H1 2022: £31.3m) with the gross profit as a percentage of revenue of 59.3% being only a small reduction from prior period (H1 2022: 60.3% of revenue). Our key vendor relationships have remained stable in the period and we are seeking to consolidate and enhance these where possible. As would be expected in the current inflationary environment, we have seen general cost increases across most areas of our supply chain. As noted earlier, the volatility in the wholesale energy market has dominated our attention in terms of ensuring we have an appropriate response.

Adjusted EBITDA

The Group's adjusted EBITDA reduced by £1.8m (9%) to £17.8m (H1 2022: £19.6m) which in EBITDA margin terms translates to 33.8% (H1 2022: 37.7%). Administration expenses (before depreciation, amortisation, share based payment charges and acquisition costs) of £13.4m are £1.6m higher than the previous period. This includes £0.5m from the addition of the c.70 staff plus overhead costs from the Concepta acquisition. As highlighted in prior reporting, financial year 2022 saw an unusual profile of staff costs. Like the wider sector, we saw a period of higher staff attrition during the mid-part of the prior financial year with subsequent recruitment activity building the team back up to the required level. The last 6 months has been more stable on headcount, which accounts for a large element of the overall increase (£0.6m). Other factors include a salary award/NI levy increase (£0.5m). All other overhead costs categories are broadly in line with the prior period.

Cloud Services saw an 8% reduction in its adjusted EBITDA to £17.3m (H1 2022: £18.9m), giving a margin of 37.0% (H1 2022: 40.9%). Adjusted EBITDA for Easyspace improved slightly to £2.9m (H1 2022: £2.6m) and EBITDA margin increased to 49.5% (H1 2022: 45.8%).

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 an increase of £0.5m to £2.4m (H1 2022: £1.9m) driven by some increases in professional fees and by the staff related increases for central functions, for the same reasons noted above.

Adjusted profit before tax

Depreciation charges of £8.0m (H1 2022: £8.2m) have decreased slightly in absolute terms which also means it is slightly down as a percentage of our recurring revenue in the period to 16.2% (H1 2022: 17.1%). The charge for the amortisation of intangible assets, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets") has decreased to £1.2m (H1 2022: £1.3m) simply due to the specific historic timing of investments made.

Net finance costs have increased by £0.3m to £1.2m (H1 2022: £0.9m) reflecting the increase in the SONIA interest rate.

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 £1.7m to £7.4m (H1 2022: £9.1m) representing an adjusted profit before tax margin of 14.1% (H1 2022: 17.5%).

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 September 2022 £'000	6 months to 30 September 2021 £'000	Year to 31 March 2022 £'000
Adjusted profit before tax	7,360	9,104	17,109
Less: Share based payments	(418)	(620)	(480)
Less: Amortisation of acquired intangible assets	(1,748)	(2,312)	(4,044)
Less: Acquisition costs	(252)	(136)	(315)
Less: Accelerated write off of arrangement fee on bank facility	-	-	(102)
Profit before tax	**4,942**	**6,036**	**12,168**

The larger adjusting items in the current period are:

- share based payment charges in the period which decreased slightly to £0.4m (H1 2022: £0.6m) as a result of the timing of share options vesting; and
- charges for the amortisation of acquired intangible assets of £1.7m (H1 2022: £2.3m) which have decreased by £0.6m reflecting the expiry of the amortisation period from older historic acquisitions.

After deducting the charges for share based payments, the amortisation of acquired intangible assets and acquisition costs, the reported profit before tax is £4.9m (H1 2022: £6.0m).

Taxation and profit for the period

There is a tax charge in the period of £1.1m (H1 2022: £1.2m), which comprises a current taxation charge of £1.0m (H1 2022: £1.9m), and a deferred taxation charge of £0.1m (H1 2022: credit of £0.6m). The headline effective tax rate is 22.6% (H1 2022: 20.3%). The future increase to a 25% UK corporation tax rate has been reflected at 30 September 2022 on the deferred tax balances. In the prior period, the deferred tax balances were calculated with a 19% rate.

The lower tax charge in the year is a result of the positive effect of the higher "super deduction" available for capital investments and lower taxable income and results in a profit for the period from total operations of £3.8m (H1 2022: £4.8m).

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, was 5.2p (H1 2022: 6.5p).

The measure of adjusted diluted earnings per share as described above is a non-statutory measure that 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 3.5p (H1 2022: 4.4p). 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 £14.5m (H1 2022: £17.9m) with an adjusted EBITDA conversion to cash ratio in the period of 81% (H1 2022: 91%). The first half year typically has a lower conversion ratio but in addition, in this specific 6-month period we had a small number of larger vendor payments, which overlapped the period ends causing the ratio in this period to be below 90%. At 30 September 2022, the conversion ratio over the last 12 months remains at 95%. Cash payments for corporation taxation in the period were limited (H1 2022: £1.4m), due to overpayments from prior years which could be offset against the first two quarterly instalments, resulting in net cash flow from operating activities in the period of £14.5m (H1 2022: £16.4m).

Expenditure on investing activities of £13.8m (H1 2022: £5.3m) was incurred in the period. £3.1m (H1 2022: £4.7m) was incurred on the acquisition of property, plant and equipment, principally to provide specific services to our customers. We incurred £0.6m (H1 2022: £0.6m) in respect of development costs during the period. In August we paid the initial equity consideration on the Concepta acquisition and paid professional services fees which combined with the cash acquired, resulted in a £10.0m net outflow. There were no payments made concerning M&A activity in the prior period.

During the first half of the year, net cash generated from financing activities was £1.7m (H1 2022: (£7.9m) used). All shares issued in the current period under share options were issued at nominal value. In the current period we made a £10.4m drawdown on the revolving credit facility to support the initial equity consideration for the Concepta acquisition. We repaid £1.5m of bank debt acquired from Concepta on completion. In the current period we repaid £2.5m of lease liabilities (H1 2022: £2.5m), paid £0.7m (H1 2022: £0.5m) of finance charges and made a dividend payment of £4.0m (H1 2022: £4.9m). As a result, cash and cash equivalent balances at the end of the period were £17.8m (H1 2022: £26.3m).

Net Debt

The net debt position of the Group at the end of the period was £47.8m, compared to £41.3m at 31 March 2022, with the increase driven by the payment of the initial consideration for the Concepta acquisition. Our multiple of the last 12 months of adjusted EBITDA to net debt is 1.3 times which remains a comfortable level of leverage. The analysis of the net debt is shown below:

	30 September 2022 £'000	30 September 2021 £'000	31 March 2022 £'000
Bank revolver loan	44,400	52,791	34,000
Lease liabilities	21,196	22,792	22,623
Less: cash and cash equivalents	(17,770)	(26,273)	(15,332)
Net Debt	**47,826**	**49,310**	**41,291**

We have a £100m Revolving Credit Facility ("RCF") provided by a four-bank group consisting of HSBC, Royal Bank of Scotland, Bank of Ireland and Clydesdale Bank. The facility had an initial maturity date of 30 June 2025, but subsequent to the period end we have executed an option which was approved by the banks to see this extended by 12 months to 30 June 2026. The facility also benefits from a £50m Accordion Facility. The RCF has a borrowing cost at the Group's current leverage levels of 180 basis points over SONIA.

Dividend

We have a dividend policy to a maximum pay-out of 50% of adjusted diluted earnings per share. Given the high recurring revenue nature of the Group, the level of operating cash that we have delivered and low level of indebtedness within the Group we have applied the maximum pay-out ratio in our assessment of the appropriate level of interim dividend to be made. Therefore, we will pay an interim dividend of 1.94p per share (H1 2022: 2.42p) on 27 January 2023 to shareholders on the register on 6 January 2023, with an ex-dividend date of 5 January 2023. This interim dividend represents a pay-out ratio of 37% (H1 2022: 37%) of the adjusted diluted earnings per share for the period.

Current trading and outlook

The second half of the year has started well, with underlying trading for the first two months in line with expectations. We expect to see an increase in revenue in the second half as the full extent of energy price increases passed on to customers flows into our financial reporting. While this will not affect profitability expectations for the year end, it will see revenues being ahead of the Board's original expectations.

We believe the diversity and limited concentration of our customer base, high level of recurring revenue, and strong cash flow generation should shelter us from the worst of the expected economic pressures as the UK enters a recessionary period. The critical nature of the infrastructure and digital services we provide in a growing cloud market will allow us to support businesses well into the future.

The steps we have taken to strengthen our capabilities and offering, increase effectiveness of our sales activities and our clear focus on execution gives us a stronger foundation to accelerate growth. Our stronger customer retention levels provide an improved backdrop as we see pipeline growth from our wider product offering, and the Board remains confident in the outlook for the long-term prospects for the Group.

Reece Donovan
Chief Executive Officer
6 December 2022

Consolidated Interim Statement of Comprehensive Income
Six months ended 30 September 2022

	Note	Unaudited 6 months to 30 September 2022 £'000	Unaudited 6 months to 30 September 2021 £'000	Audited Year to 31 March 2022 £'000
Revenue		52,557	51,930	103,018
Cost of sales		(21,355)	(20,591)	(41,712)
Gross profit		**31,202**	**31,339**	**61,306**
Administrative expenses		(25,047)	(24,401)	(47,076)
Operating profit		**6,155**	**6,938**	**14,230**
Analysed as:				
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payments		**17,794**	**19,568**	**38,009**
Share based payments		(418)	(620)	(480)
Acquisition costs	4	(252)	(136)	(315)
Depreciation	9	(7,980)	(8,227)	(16,296)
Amortisation – acquired intangible assets	8	(1,748)	(2,312)	(4,044)
Amortisation – other intangible assets	8	(1,241)	(1,335)	(2,644)
Finance costs	5	(1,213)	(902)	(2,062)
Profit before taxation		**4,942**	**6,036**	**12,168**
Taxation	6	(1,119)	(1,224)	(2,772)
Profit for the period/year		**3,823**	**4,812**	**9,396**
Other comprehensive income				
Currency translation differences		166	59	30
Other comprehensive income for the period/year		**166**	**59**	**30**
Total comprehensive income for the period/year attributable to equity holders of the parent		**3,989**	**4,871**	**9,426**
Basic and diluted earnings per share				
Basic earnings per share	3	3.5p	4.4 p	8.6 p
Diluted earnings per share	3	3.4p	4.3 p	8.4 p

Consolidated Interim Statement of Financial Position
As at 30 September 2022

	Note	Unaudited 30 September 2022 £'000	Unaudited 30 September 2021 £'000	Audited 31 March 2022 £'000
ASSETS				
Non-current assets				
Intangible assets – goodwill	8	99,710	86,479	86,479
Intangible assets – other	8	15,153	15,052	12,852
Trade and other receivables		597	194	531
Property, plant and equipment	9	67,790	73,494	70,893
Deferred tax asset		-	721	-
		183,250	**175,940**	**170,755**
Current assets				
Cash and cash equivalents		17,770	26,273	15,332
Trade and other receivables		23,708	23,161	20,592
Current tax asset		789	-	1,658
		42,267	**49,434**	**37,582**
Total assets		**225,517**	**225,374**	**208,337**
LIABILITIES				
Non-current liabilities				
Trade and other payables		(2,978)	(1,882)	(2,643)
Non-current borrowings	11	(62,030)	(19,420)	(53,063)
Provisions for other liabilities and charges		(2,626)	(2,335)	(2,438)
Deferred tax liability		(2,694)	-	(1,510)
		(70,328)	**(23,637)**	**(59,654)**
Current liabilities				
Contingent consideration due on acquisitions	7	(4,000)	-	-
Trade and other payables		(28,282)	(28,392)	(26,232)
Current tax liabilities		-	(51)	-
Current borrowings	11	(3,566)	(56,163)	(3,560)
		(35,848)	**(84,606)**	**(29,792)**
Total liabilities		**(106,176)**	**(108,243)**	**(89,446)**
Net assets		**119,341**	**117,131**	**118,891**
EQUITY				
Share capital		1,101	1,097	1,101
Own shares		(70)	(70)	(70)
Capital redemption reserve		1,200	1,200	1,200
Share premium		22,495	22,495	22,495
Merger reserve		4,983	4,983	4,983
Foreign currency translation reserve		152	15	(14)
Retained earnings		89,480	87,411	89,196
Total equity		**119,341**	**117,131**	**118,891**

Consolidated Interim Statement of Cash Flows
Six months ended 30 September 2022

	Unaudited 6 months to 30 September 2022 £'000	Unaudited 6 months to 30 September 2021 £'000	Audited Year to 31 March 2022 £'000
Profit before tax	**4,942**	**6,036**	**12,168**
Finance costs – net	1,213	902	2,062
Depreciation	7,980	8,227	16,296
Amortisation	2,989	3,647	6,688
Share based payments	418	620	480
Professional fees on acquisition	232	-	-
Gain on disposal of property	-	-	(338)
Movement in trade receivables	(1,579)	126	3,257
Movement in trade payables	(1,722)	(1,710)	(2,702)
Cash flow from operations	**14,473**	**17,848**	**37,911**
Taxation paid	(6)	(1,434)	(2,455)
Net cash flow from operating activities	**14,467**	**16,414**	**35,456**
Cash flow from investing activities			
Purchase of property, plant and equipment	(3,130)	(4,673)	(9,492)
Proceeds received from disposal of property, plant and equipment	-	-	700
Development costs	(627)	(601)	(1,352)
Purchase of intangible assets	(31)	(1)	(91)
Payment for acquisition of subsidiary net of cash acquired	(9,963)	-	-
Net cash used in investing activities	**(13,751)**	**(5,275)**	**(10,235)**
Cash flow from financing activities			
Issue of shares	-	-	4
Drawdown of bank loans	10,400	-	-
Repayment of bank loans	-	-	(4,410)
Repayment of lease liabilities	(2,509)	(2,466)	(18,840)
Repayment of debt acquired on acquisition	(1,508)	-	-
Finance costs paid	(704)	(506)	(1,100)
Refinancing costs paid	-	-	(990)
Dividends paid	(3,957)	(4,932)	(7,591)
Net cash generated from/(used in) financing activities	**1,722**	**(7,904)**	**(32,927)**
Net increase in cash and cash equivalents	**2,438**	**3,235**	**(7,706)**
Cash and cash equivalents at the beginning of the period	15,332	23,038	23,038
Cash and cash equivalents at the end of the period	**17,770**	**26,273**	**15,332**

Consolidated Interim Statement of Changes in Equity
Six months ended 30 September 2022

	Share capital £'000	Own shares £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2021	**1,097**	**(70)**	**1,200**	**22,495**	**4,983**	**(44)**	**86,911**	**116,572**
Profit in the period	-	-	-	-	-	-	4,812	**4,812**
Currency translation differences	-	-	-	-	-	59	-	**59**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**59**	**4,812**	**4,871**
Dividends	-	-	-	-	-	-	(4,932)	**(4,932)**
Share based payments	-	-	-	-	-	-	620	**620**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(4,312)**	**(4,312)**
Balance at 30 September 2021 (unaudited)	**1,097**	**(70)**	**1,200**	**22,495**	**4,983**	**15**	**87,411**	**117,131**
Profit in the period	-	-	-	-	-	-	4,584	**4,584**
Currency translation differences	-	-	-	-	-	(29)	-	**(29)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(29)**	**4,584**	**4,555**
Dividends	**-**	-	-	-	-	-	(2,659)	**(2,659)**
Share based payments	-	-	-	-	-	-	(140)	**(140)**
Issue of share capital	4	-	-	-	-	-	-	**4**
Total transactions with owners	**4**	**-**	**-**	**-**	**-**	**-**	**(2,799)**	**(2,795)**
Balance at 31 March 2022 (audited)	**1,101**	**(70)**	**1,200**	**22,495**	**4,983**	**(14)**	**89,196**	**118,891**
Profit in the period	-	-	-	-	-	-	3,823	**3,823**
Currency translation differences	-	-	-	-	-	166	-	**166**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**166**	**3,823**	**3,989**
Dividends	-	-	-	-	-	-	(3,957)	**(3,957)**
Share based payments	-	-	-	-	-	-	418	**418**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**(3,539)**	**(3,539)**
Balance at 30 September 2022 (unaudited)	**1,101**	**(70)**	**1,200**	**22,495**	**4,983**	**152**	**89,480**	**119,341**

Notes to the Half Yearly Financial Information
Six months ended 30 September 2022

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 2022 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 2023. The Group financial statements for the year ended 31 March 2022 were prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006. 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 2022. 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.

At the period end, the Group has access to a £100m multi option revolving credit facility that matures on 30 June 2025, which also benefits from a £50m Accordion Facility. On 17 November 2022, the Group enacted the extension option which was approved by the lenders. This extends the termination date of the RCF facility to 30 June 2026. 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 £47.8m (H1 2022: £49.3m). The Board is comfortable with the net debt position given the strong cash generation and considerable financial resources of the Group, 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 September 2022	6 months to 30 September 2021	Year to 31 March 2022
	£'000	£'000	£'000
Easyspace	5,810	5,782	11,782
Cloud Services	46,747	46,148	91,236
	52,557	**51,930**	**103,018**

Cloud Services revenue during the period/year can be further disaggregated as follows:

	6 months to 30 September 2022	6 months to 30 September 2021	Year to 31 March 2022
	£'000	£'000	£'000
Cloud managed services	29,220	28,037	55,745
Self-managed infrastructure	14,308	14,408	28,363
Non-recurring revenue	3,219	3,703	7,128
	46,747	**46,148**	91,236

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 September 2022	6 months to 30 September 2021	Year to 31 March 2022
	£'000	£'000	£'000
United Kingdom	45,147	44,202	88,692
Rest of the World	7,410	7,728	14,326
	52,557	**51,930**	**103,018**

Recurring and Non-Recurring Revenue

The amount of recurring and non-recurring revenue recognised during the year can be summarised as follows:

	6 months to 30 September 2022	6 months to 30 September 2021	Year to 31 March 2022
	£'000	£'000	£'000
Recurring – over time	49,338	48,227	95,890
Non-recurring – point in time	3,219	3,703	7,128
	52,557	**51,930**	**103,018**

Profit by Operating Segment

	6 months to 30 September 2022			6 months to 30 September 2021			Year to 31 March 2022		
	EBITDA before share based payments and acquisition costs	Share based payments, acquisition costs, depreciation & amortisation	Operating profit/(loss)	EBITDA before share based payments and acquisition costs	Share based payments, acquisition costs, depreciation & amortisation	Operating profit/(loss)	EBITDA before share based payments and acquisition costs	Share based payments, acquisition costs, depreciation & amortisation	Operating profit/(loss)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Easyspace	2,876	(177)	2,699	2,647	(453)	2,194	5,674	(665)	5,009
Cloud Services	17,276	(10,792)	6,484	18,854	(11,421)	7,433	36,641	(22,319)	14,322
Group overheads	(2,358)	-	(2,358)	(1,933)	-	(1,933)	(4,306)	-	(4,306)
Share based payments	-	(418)	(418)	-	(620)	(620)	-	(315)	(315)
Acquisition costs	-	(252)	(252)	-	(136)	(136)	-	(480)	(480)
Profit before tax and interest	17,794	(11,639)	6,155	19,568	(12,630)	6,938	38,009	(23,779)	14,230
Gain on revaluation of contingent consideration			-			-			-
Group interest and tax			(2,332)			(2,126)			(4,834)
Profit for the period/year			**3,823**			**4,812**			**9,396**

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 September 2022 £'000	6 months to 30 September 2021 £'000	Year to 31 March 2022 £'000
Profit for the period/year and basic earnings attributed to ordinary shareholders	**3,823**	**4,812**	**9,396**
	No	**No**	**No**
Weighted average number of ordinary shares:	**000**	**000**	**000**
Called up, allotted and fully paid at start of period	110,065	109,671	109,671
Shares held by Employee Benefit Trust	(141)	(141)	(141)
Issued share capital in the period	4	29	181
Weighted average number of ordinary shares – basic	**109,928**	**109,559**	**109,711**
Dilutive impact of share options	2,686	3,086	2,210
Weighted average number of ordinary shares – diluted	**112,614**	**112,645**	**111,921**
Basic earnings per share	3.5 p	4.4 p	8.6 p
Diluted earnings per share	3.4 p	4.3 p	8.4 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 September 2022 £'000	6 months to 30 September 2021 £'000	Year to 31 March 2022 £'000
Profit for the period/year and basic earnings attributed to ordinary shareholders	3,823	4,812	9,396
- Amortisation of acquired intangible assets	1,748	2,312	4,044
- Acquisition costs	252	136	315
- Share based payments	418	620	480
- Accelerated write off of arrangement fee on bank facility	-	-	102
- Tax impact of adjusted items	(412)	(557)	(879)
Adjusted profit for the period/year and adjusted basic earnings attributed to ordinary shareholders	**5,829**	**7,323**	**13,458**
Adjusted basic earnings per share	5.3 p	6.7 p	12.2 p
Adjusted diluted earnings per share	5.2 p	6.5 p	12.0 p

4. Acquisition costs

	6 months to 30 September 2022 £'000	6 months to 30 September 2021 £'000	Year to 31 March 2022 £'000
Professional fees	(232)	-	-
Non-recurring acquisition integration costs	(20)	(136)	(315)
	(252)	**(136)**	**(315)**

5. Finance costs

	6 months to 30 September 2022 £'000	6 months to 30 September 2021 £'000	Year to 31 March 2022 £'000
Bank loans	(855)	(526)	(1,222)
Accelerated write off of arrangement fee on bank facility	-	-	(102)
Lease finance costs	(304)	(332)	(646)
Other interest charges	(54)	(44)	(92)
	(1,213)	**(902)**	**(2,062)**

6. Taxation

	6 months to 30 September 2022 £'000	6 months to 30 September 2021 £'000	Year to 31 March 2022 £'000
Corporation Tax:			
Tax charge for the period/year	(1,050)	(1,802)	(1,333)
Adjustment relating to prior periods	-	-	209
Total current taxation charge	(1,050)	(1,802)	(1,124)
Deferred Tax:			
Origination and reversal of temporary differences	(58)	379	(1,517)
Adjustment relating to prior periods	-	-	(137)
Effect of different statutory tax rates of overseas jurisdictions	(11)	20	(4)
Effect of changes in tax rates	-	179	10
Total deferred taxation (charge)/credit	(69)	578	(1,648)
Total taxation charge for the period/year	**(1,119)**	**(1,224)**	**(2,772)**

Deferred tax assets and liabilities at 30 September 2022 have been calculated based on the rate enacted at the balance sheet date of 25% (2021: 19%).

7. Acquisitions

Concepta Capital Limited

On 15 August 2022, the Group acquired the entire issued share capital of Concepta Capital Limited ("Concepta"). Concepta is principally a holding company which owns 100% of the issued share capital of Oriium Consulting Limited (“ORIIUM”), PAV I.T. Services Limited (“Pavilion IT”), P2 Technologies Limited (“P2”) Datanics Limited (“Datanics”) and Add3 Limited (“Add3”).

ORIIUM is a channel only IT service provider specialising in data management solutions, and Pavilion IT is a provider of cloud and hybrid infrastructure solutions and support services.

During the current period, the Group incurred £233,000 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 and in cash flow from investing activities for the period ended 30 September 2022.

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

	£’000
Recognised amounts of net assets acquired and liabilities assumed:	
Cash and cash equivalents	1,017
Trade and other receivables	1,603
Property, plant and equipment	1,203
Intangible assets	4,621
Borrowings	(1,742)
Trade and other payables	(4,323)
Corporation tax asset	77
Deferred tax liability	(1,139)
Identifiable net assets	**1,317**
Goodwill	13,231
Total consideration	**14,548**
Satisfied by:	
Cash – paid on acquisition	10,548
Contingent consideration – payable	4,000
Total consideration to be transferred	**14,548**

The acquisition of Concepta was completed using a “completion accounts” mechanism, on a no cash, no debt, and normalised working capital basis. An initial payment of £10,548,000 was made at completion. This initial payment was net of a £422,000 inflow from the vendors being an estimate of the adjustment needed for the completion account mechanism. This value will be subject to a final amendment in due course when completion accounts are prepared. At the date of acquisition, Concepta had bank debt of £1,508,000 which was taken on by iomart and settled as part of the completion process.

The share purchase agreement (SPA) included a provision requiring the Company to pay the former shareholders of Concepta an additional amount contingent on the level of profitability delivered by Concepta in the twelve months ended 30 June 2023 (“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 £4,000,000. The amount of contingent consideration payable, which was recognised as of the acquisition date, was £4,000,000. The level of profitability for the earn-out payment was estimated based on management’s estimates of the profitability of Concepta for the twelve months ended June 2023, taking into account actual performance to date.

The goodwill arising on the acquisition of Concepta is attributable to the premium payable for a pre-existing, well positioned business and the specialised, industry specific knowledge, including the indirect channel, of the management and staff, together with the benefits to the Group in merging the business with its existing infrastructure and the anticipated future revenue synergies from the combination. The goodwill is not expected to be deductible for tax purposes.

The trading names “ORIIUM”, “Pavilion IT” and “P2” are not actively advertised or promoted. The Concepta group’s standard terms and conditions restrict the ability of the Concepta Group to sell, distribute or lease any personal information it holds on customers. As a consequence, there is no significant value in either the trade name/brand or customer lists acquired at the acquisition date and therefore no value has been attributed to either intangible asset.

Included in intangible assets is the fair value included in respect of the acquired customer relationships intangible asset of £4,462,000. To estimate the fair value of the customer relationships intangible asset, a discounted cash flow method, specifically the income approach, was used with reference to the directors’ estimates of the level of revenue, which will be generated from them. A pre-tax discount rate of 13.06% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 8 years.

The Concepta group earned revenue of £1,286,000 and generated profits, before allocation of group overheads, share based payments and tax, of £121,000 in the period since acquisition.

8. 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 2021	**86,479**	**57,263**	**11,904**	**10,827**	**86**	**336**	**166,895**
Additions in the period	-	-	601	1	-	-	602
Currency translation differences	-	18	-	13	-	-	31
At 30 September 2021	**86,479**	**57,281**	**12,505**	**10,841**	**86**	**336**	**167,528**
Additions in the period	-	-	751	90	-	-	841
Currency translation differences	-	18	-	14	-	-	32
At 31 March 2022	**86,479**	**57,299**	**13,256**	**10,945**	**86**	**336**	**168,401**
Acquired on acquisition of subsidiary	13,231	4,462	159	-	-	-	17,852
Additions in the period	-	-	627	31	-	-	658
Currency translation differences	-	137	-	105	-	-	242
At 30 September 2022	**99,710**	**61,898**	**14,042**	**11,081**	**86**	**336**	**187,153**
Accumulated amortisation:							
At 1 April 2021	**-**	**(45,316)**	**(9,819)**	**(6,829)**	**(62)**	**(289)**	**(62,315)**
Charge for the period	-	(2,312)	(667)	(660)	(4)	(4)	(3,647)
Currency translation differences	-	(18)	-	(17)	-	-	(35)
At 30 September 2021	**-**	**(47,646)**	**(10,486)**	**(7,506)**	**(66)**	**(293)**	**(65,997)**
Charge for the period	-	(1,732)	(680)	(622)	(3)	(4)	(3,041)
Currency translation differences	-	(18)	-	(14)	-	-	(32)
At 31 March 2022	**-**	**(49,396)**	**(11,166)**	**(8,142)**	**(69)**	**(297)**	**(69,070)**
Charge for the period	-	(1,748)	(655)	(578)	(4)	(4)	(2,989)
Currency translation differences	-	(138)	-	(93)	-	-	(231)
At 30 September 2022	**-**	**(51,282)**	**(11,821)**	**(8,813)**	**(73)**	**(301)**	**(72,290)**
Carrying amount:							
At 30 September 2022	**99,710**	**10,616**	**2,221**	**2,268**	**13**	**35**	**114,863**
At 31 March 2022	86,479	7,903	2,090	2,803	17	39	99,331
At 30 September 2021	86,479	9,635	2,019	3,335	20	43	101,531

Note 12 provides the movements in the period relating to IFRS 16 right-of-use assets included in the above table.

9. 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 2021	**8,731**	**38,694**	**28,079**	**108,223**	**2,811**	**23**	**186,561**
Additions in the period	-	307	1,321	3,250	37	-	4,915
Disposals in the period	-	(201)	-	(48)	(13)	-	(262)
Currency translation differences	-	48	-	119	-	-	167
At 30 September 2021	**8,731**	**38,848**	**29,400**	**111,544**	**2,835**	**23**	**191,381**
Additions in the period	-	1,527	1,569	2,657	6	-	5,759
Disposals in the period	(495)	(2)	(445)	-	(1)	-	(943)
Currency translation differences	-	51	-	67	-	-	118
At 31 March 2022	**8,236**	**40,424**	**30,524**	**114,268**	**2,840**	**23**	**196,315**
Acquired on acquisition of subsidiary	-	300	872	1	30	-	1,203
Additions in the period	-	481	468	2,456	40	-	3,445
Currency translation differences	-	350	-	861	-	-	1,211
At 30 September 2022	**8,236**	**41,555**	**31,864**	**117,586**	**2,910**	**23**	**202,174**
Accumulated depreciation:							
At 1 April 2021	**(937)**	**(11,675)**	**(17,223)**	**(77,547)**	**(2,150)**	**(17)**	**(109,549)**
Charge for the period	(128)	(2,218)	(616)	(5,160)	(101)	(4)	(8,227)
Disposals in the period	-	-	-	15	-	-	15
Currency translation differences	-	(28)	-	(98)	-	-	(126)
At 30 September 2021	**(1,065)**	**(13,921)**	**(17,839)**	**(82,790)**	**(2,251)**	**(21)**	**(117,887)**
Charge for the period	(127)	(2,263)	(647)	(4,941)	(89)	(2)	(8,069)
Disposals in the period	138	-	445	-	-	-	583
Currency translation differences	-	(30)	-	(19)	-	-	(49)
At 31 March 2022	**(1,054)**	**(16,214)**	**(18,041)**	**(87,750)**	**(2,340)**	**(23)**	**(125,422)**
Charge for the period	(121)	(2,252)	(723)	(4,796)	(88)	-	(7,980)
Currency translation differences	-	(260)	-	(722)	-	-	(982)
At 30 September 2022	**(1,175)**	**(18,726)**	**(18,764)**	**(93,268)**	**(2,428)**	**(23)**	**(134,384)**
Carrying amount:							
At 30 September 2022	**7,061**	**22,829**	**13,100**	**24,318**	**482**	**-**	**67,790**
At 31 March 2022	**7,182**	**24,210**	**12,483**	**26,518**	**500**	**-**	**70,893**
At 30 September 2021	**7,666**	**24,927**	**11,561**	**28,754**	**584**	**2**	**73,494**

Note 12 provides the movements in the period relating to IFRS 16 right-of-use assets included in the above table.

10. Analysis of change in net debt

	Cash and cash equivalents £'000	Bank loans £'000	Lease liabilities £'000	Total net debt £'000
At 1 April 2021	**23,038**	**(52,791)**	**(24,867)**	**(54,620)**
Additions to lease liabilities	-	-	(33)	(33)
Disposal of lease liabilities	-	-	179	179
Currency translation	-	-	(22)	(22)
Cash and cash equivalents cash inflow	3,235	-	-	3,235
Lease liabilities cash outflow	-	-	1,951	1,951
At 30 September 2021	**26,273**	**(52,791)**	**(22,792)**	**(49,310)**
Additions to lease liabilities	-	-	(1,458)	(1,458)
Settlement of commitment fee on loan	-	(49)	-	(49)
Repayment of bank loans	-	18,840	-	18,840
Currency translation	-	-	(27)	(27)
Cash and cash equivalents cash outflow	(10,941)	-	-	(10,941)
Lease liabilities cash outflow	-	-	1,654	1,654
At 31 March 2022	**15,332**	**(34,000)**	**(22,623)**	**(41,291)**
Acquired on acquisition of subsidiary	-	-	(235)	(235)
Additions to lease liabilities	-	-	(269)	(269)
New bank loans	-	(10,400)	-	(10,400)
Currency translation	-	-	(104)	(104)
Cash and cash equivalents cash inflow	2,438	-	-	2,438
Lease liabilities cash outflow	-	-	2,035	2,035
At 30 September 2022	**17,770**	**(44,400)**	**(21,196)**	**(47,826)**

11. Borrowings

	30 September 2022 £'000	30 September 2021 £'000	31 March 2022 £'000
Current:			
Lease liabilities (note 12)	(3,566)	(3,372)	(3,560)
Bank loans	-	(52,791)	-
Total current borrowings	**(3,566)**	**(56,163)**	**(3,560)**
Non-current:			
Lease liabilities (note 12)	(17,630)	(19,420)	(19,063)
Bank loans	(44,400)	-	(34,000)
Total non-current borrowings	**(62,030)**	**(19,420)**	**(53,063)**
Total borrowings	**(65,596)**	**(75,583)**	**(56,623)**

At 30 September 2022, the Group has a £100m multi option revolving credit facility which has an initial maturity date of 30 June 2025, with a 12 month extension option and benefits from a £50m Accordion facility. The RCF and the Accordion Facility (if exercised) provide the Group with additional liquidity which will be used for general business purposes and to fund investments, in accordance with the Group's five-year strategic plan. 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. During the year, the Group made a drawdown of £10.4m (H1 2022: £nil).

On 17 November 2022, the Group enacted the extension option which was approved by the lenders. This extends the termination date of the RCF facility to 30 June 2026.

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	Datacentre equipment	Software	Total
	£'000	£'000	£'000	£'000
Cost at 1 April 2021	**18,859**	**4,222**	**950**	**24,031**
Additions	-	33	-	33
Disposals	-	(179)	-	(179)
Depreciation charge	(1,024)	(703)	-	(1,727)
Amortisation charge	-	-	(143)	(143)
Net book value at 30 September 2021	**17,835**	**3,373**	**807**	**22,015**
Additions	1,412	46	-	1,458
Currency translation differences	-	36	-	36
Depreciation charge	(1,060)	(646)	-	(1,706)
Amortisation charge	-	-	(142)	(142)
Net book value at 31 March 2022	**18,187**	**2,809**	**665**	**21,661**
Acquired on acquisition of subsidiary	123	112	-	235
Additions	-	269	-	269
Currency translation differences	-	106	-	106
Depreciation charge	(1,052)	(740)	-	(1,792)
Amortisation charge	-	-	(143)	(143)
Net book value at 30 September 2022	**17,258**	**2,556**	**522**	**20,336**

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 2022 (note 9). The right-of-use assets in relation to software are disclosed as non-current assets and are disclosed within intangibles at 30 September 2022 (note 8).

Lease liabilities

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

	30 September 2022 £'000	30 September 2021 £'000	31 March 2022 £'000
Lease liabilities (current) (note 11)	(3,566)	(3,372)	(3,560)
Lease liabilities (non-current) (note 11)	(17,630)	(19,420)	(19,063)
Total lease liabilities	**(21,196)**	**(22,792)**	**(22,623)**

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

Amounts payable under leases:	30 September 2022 £'000	30 September 2021 £'000	31 March 2022 £'000
Within one year	(4,252)	(3,945)	(4,127)
Between two to five years	(9,330)	(10,166)	(10,244)
After more than five years	(10,685)	(12,193)	(11,585)
	(24,267)	(26,304)	(25,956)
Add: unearned interest	3,071	3,512	3,333
Total lease liabilities	**(21,196)**	**(22,792)**	**(22,623)**

13. Availability of half yearly reports

The Company's Interim Report for the six months ended 30 September 2022 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 2022 which comprises the Consolidated Interim Statement of Comprehensive Income, the Consolidated Interim Statement of Financial Position, the Consolidated Interim Statement of Cash Flows, the Consolidated Interim Statement of Changes in Equity and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted international accounting standards. 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 2022 is not prepared, in all material respects, in accordance with the 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
6 December 2022

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