Company Registration No. 04484629

BYTEMARK LIMITED

Report and Financial Statements

31 March 2019

BYTEMARK LIMITED

REPORT AND FINANCIAL STATEMENTS 2019

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REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A MacSween
S Cunningham

SECRETARY

A McDonald

REGISTERED OFFICE

3rd Floor
11-21 Paul Street
London
EC2A 4JU

BANKERS

Bank of Scotland Plc
110 St Vincent Street
Glasgow
G2 5ER

INDEPENDENT AUDITORS

Grant Thornton UK LLP
Level 8, 110 Queen Street
Glasgow
G1 3BX

SOLICITORS

Shepherd & Wedderburn LLP
5th Floor, 1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

Pinsent Masons LLP
141 Bothwell Street
Glasgow
G2 7EQ

DIRECTORS' REPORT
8 months ended 31 March 2019

On 30 August 2018, the company changed its accounting reference date to 31 March to align with its ultimate parent company. The directors present their annual report and the audited financial statements for the 8 months ended 31 March 2019. The prior year comparatives for the year ended 31 July 2018 are unaudited.

This directors' report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was the provision of colocation and managed cloud services.

REVIEW OF THE BUSINESS

On 1 August 2018 the trade, together with the fixed assets of the immediate parent company, apart from the datacentre land and buildings, were transferred to the company.

On 24 August 2018, the entire issued share capital of the company's immediate parent company was acquired by iomart Group plc.

The directors look forward to further developing the business by making full use of the opportunities that arise from being a member of a larger group.

RESULTS AND DIVIDENDS

The results for the period are set out on page 6. The loss before taxation for the period ended 31 March 2019 was £150,656 (year ended 31 July 2018: profit £266,369).

The directors do not recommend the payment of a final dividend (2018: £nil). No interim dividend (year ended 31 July 2018: £1,400 per share) was paid during the period. The total distribution of dividends for the 8 months ended 31 March 2019 was £nil (year ended 31 July 2018: £140,000).

DIRECTORS AND THEIR INTERESTS

The following directors held office during the period and to the date of this report:

A MacSween (appointed 24 August 2018)
S Cunningham (appointed 4 September 2018)
R Logan (appointed 24 August 2018 and resigned 4 September 2018)
P Taphouse (resigned 12 November 2018)
M Bloch (resigned 12 November 2018)
P Cherry (resigned 24 August 2018)
P Hinds (resigned 24 August 2018)
J Gronnow (resigned 24 August 2018)

None of the directors has any interest in the shares of the company. The interests of the directors in the shares of the ultimate parent undertaking, iomart Group plc, are disclosed in that company's financial statements.

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

DIRECTORS' REPORT
8 months ended 31 March 2019

GOING CONCERN

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITORS

A resolution to appoint Deloitte LLP, Chartered Accountants, as auditors was put forward and agreed upon at the Annual General Meeting of iomart Group plc (ultimate parent company of Bytemark Limited) on 27 August 2019.

Approved by the Board of Directors
and signed by order of the Board

A McDonald
Company Secretary
25 September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BYTEMARK LIMITED

Opinion

We have audited the financial statements of Bytemark Limited (the 'company') for the period ended 31 March 2019, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter – prior year financial statements unaudited

The company was not required to have a statutory audit for the year ended 31 July 2018 as it was entitled to exemption from the provision of the Companies Act 2006 relating to the audit of the financial statements for the period by virtue of Section 477 and no member or members requested an audit pursuant to Section 476 of the Act. Accordingly the corresponding figures for the year ended 31 July 2018 are unaudited.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BYTEMARK LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' exemptions from the requirement to prepare a strategic report; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BYTEMARK LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Jonathan Maile BSC (Hons) FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
1 October 2019

STATEMENT OF COMPREHENSIVE INCOME
8 months ended 31 March 2019

	Note	8 months ended 31 March 2019 £	Year ended 31 July 2018 Unaudited £
TURNOVER	3	2,225,811	3,316,175
Cost of sales		(391,400)	(635,793)
GROSS PROFIT		1,834,411	2,680,382
Administrative expenses		(1,956,479)	(2,382,985)
OPERATING (LOSS)/PROFIT	4	(122,068)	297,397
Interest receivable		409	92
Interest payable	5	(28,997)	(31,120)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(150,656)	266,369
Tax on (loss)/profit on ordinary activities	7	14,488	18,652
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD/YEAR		(136,168)	285,021

All of the activities of the company are classed as continuing and there are no items classed as other comprehensive income.

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	31 March 2019 £	31 July 2018 Unaudited £
Assets			
Property, plant and equipment	8	1,268,926	1,128,994
Current assets			
Stocks		-	4,653
Debtors	9	155,499	232,775
Cash at bank and in hand		109,479	399,579
		264,978	637,007
Creditors: amounts falling due within one year	10	(1,060,804)	(1,035,971)
Net current liabilities		(795,826)	(398,964)
Total assets less current liabilities		473,100	730,030
Creditors: amounts falling due after more than one year	11	(44,124)	(168,572)
NET ASSETS		428,976	561,458
CAPITAL AND RESERVES			
Called up share capital	14	100	100
Share based payments reserve		3,686	-
Profit and loss account		425,190	561,358
SHAREHOLDERS' FUNDS		428,976	561,458

These financial statements were approved by the Board of Directors and authorised for issue on 25 September 2019 and are signed on their behalf by:

A MacSween
Director

Company number: 04484629

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
8 months ended 31 March 2019

	Share Capital £	Profit and loss account £	Share based payments reserve £	Total £
Balance at 1 August 2017	100	416,337	-	416,437
Profit for the financial year	-	285,021	-	285,021
Transactions with owners				
Dividends paid	-	(140,000)	-	(140,000)
Balance at 31 July 2018 (unaudited)	100	561,358	-	561,458
Loss for the financial period	-	(136,168)	-	(136,168)
Transactions with owners				
Share based payments	-	-	3,686	3,686
Balance at 31 March 2019	100	425,190	3,686	428,976

The accompanying accounting policies and notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
8 months ended 31 March 2019

1. COMPANY INFORMATION

Bytemark Limited is a private limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is 3rd floor, 11-21 Paul Street, London, EC2A 4JU. The nature of the Company's operations and its principal activity is the provision of colocation and cloud based web services.

2. ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the period unless otherwise stated.

The financial statements have been prepared on a historical cost basis and are presented in Sterling (£).

Changes in accounting policies

This is the first period in which the financial statements have been prepared in accordance with FRS 101. The date of transition to FRS 101 is 1 August 2017. There are no adjustments required to the comparatives for the period ended 31 July 2018 as a result of the adoption of FRS 101. In applying FRS 101 for the first time the Company has applied early the amendment to FRS 101 which permits a first time adopter not to present an opening statement of financial position at the beginning of the earliest comparative period presented.

Disclosure exemptions adopted

In preparing these financial statements, the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- a statement of cash flows and related notes;
- the requirement to produce a statement of financial position at the beginning of the earliest comparative period;
- the requirement of IAS 24 related party disclosures to disclose related party transactions entered into between two or more members of the iomart Group as they are wholly owned within the iomart Group;
- disclosure of key management personnel compensation;
- capital management disclosures;
- share based payments;
- disclosures in respect of financial instruments; and
- the effect of future accounting standards not adopted.

Adoption of new and revised Standards - Amendments to IFRS that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective in the current year.

IFRS 15 - Revenue from Contracts with Customers

During the current year, the iomart Group plc and each of its subsidiary undertakings, implemented IFRS 15 Revenue from Contracts with Customers. There was no change to the revenue recognition accounting policies of the company on adoption of IFRS 15 and no financial impact to the year ended 31 July 2018 or 8 months ended 31 March 2019 financial statements. Detailed disclosures on the transition to IFRS 15 and the current initial impact assessment of IFRS 15 are included in note 2 of the iomart Group plc (the parent company) financial statements at 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS
8 months ended 31 March 2019

2. ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised Standards - Amendments to IFRS that are mandatorily effective for the current year (continued)

IFRS 9 – Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments of IFRS 7 Financial Instruments: Disclosures that are effective for an annual period that begins on or after 1 April 2018. The Company has elected to apply the transition provisions of IFRS 9 and opted not to restate comparatives. Any differences from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings. IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities;
2. Impairment of financial assets; and
3. Hedge accounting.

There has not been a material impact to the Company on adoption of IFRS 9.

New and revised IFRSs in issue but not yet effective and have not been adopted by the Company

The Company has taken the exemption available under FRS 101 to not disclose the effect of future accounting standards effective but not yet adopted.

Going concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Parent company

The Company is a wholly owned subsidiary of iomart Group plc, which prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of iomart Group plc for the year ended 31 March 2019. These accounts are available from iomart Group plc, Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow G20 0SP.

2. ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment is initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Company's management.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property, plant and equipment. The following useful lives are applied:

Property improvements	5 to 15 years
Plant and machinery	3 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

Financial assets

Financial assets include trade, other receivables, prepayments, and cash and cash equivalents. The date of initial application of IFRS 9 (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 April 2018.

Classification and measurement of financial assets

The Company classifies financial assets into three categories:

- Financial assets measured at amortised cost;
- Financial assets measured at fair value through other comprehensive income ("FVTOCI"); and
- Financial assets measured at fair value through profit or loss ("FVTPL").

Classification and measurement of financial assets

The classification of financial assets is based on the Company's business model for managing the financial asset and the contractual cash flow characteristics associated with the financial asset. Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cashflows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- Debt instruments that are held within a business model whose objective is to both collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at FVTOCI; and
- All other debt investments and equity investments are measured subsequently at FVTPL.

The Company reviewed and assessed the Company's existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has no impact on the Company's financial assets as regards their classification and measurement.

All financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs on initial recognition. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through profit or loss.

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within 'finance costs' or 'finance income' except for impairment of trade receivables which is presented within 'administrative expenses'.

2. ACCOUNTING POLICIES (continued)

Financial assets (continued)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss ("ECL") model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. The Group recognises an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss ("FVTPL"). The main financial asset that is subject to the new expected credit loss model is trade debtors, which consist of billed receivables arising from contracts.

While cash and cash equivalents and accrued income held at amortised cost are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Company has applied the IFRS 9 simplified approach to measuring forward-looking expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. The ECL model reflects a probability weighted amount derived from a range of possible outcomes. To measure the ECL, trade debtors have been grouped based on shared credit risk characteristics and the days past due. The Company has established a provision matrix based on the payment profiles of sales over a twenty four month period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information that might affect the ability of customers to settle the receivables, including macroeconomic factors as relevant. The financial impact for the year ended 31 March 2019 was immaterial.

Provision against trade and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. An assessment for impairment is undertaken at least at each reporting date.

Financial liabilities

Classification and measurement of financial liabilities

The changes introduced by IFRS 9 in the classification and measurement of financial liabilities do not impact the Company's financial liabilities.

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in profit or loss. All other financial liabilities are recorded initially at fair value, net of direct issue cost

Financial liabilities categorised as at fair value through profit or loss are re-measured at each reporting date at fair value, with changes in fair value being recognised through profit or loss. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs through profit or loss. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, cancelled or when it expires. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Hedge accounting

The new hedge accounting requirements of IFRS 9 do not impact the Company financial liabilities.

2. ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash comprises cash on hand and demand deposits which is presented as cash at bank and in hand in the statement of financial position.

Cash equivalents comprise short-term, highly liquid investments with maturities of three months or less from inception that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are presented as part of current asset investments in the statement of financial position.

Turnover

Revenue from the sale of cloud computing infrastructure and managed services is recognised on an over time basis over the life 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.

Turnover

Revenue from the sale of cloud computing infrastructure and managed services is recognised on an over time basis over the life 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.

Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

Dividends paid

Dividends paid are included in the financial statements when a final dividend is approved by the Directors.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the reporting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit or loss.

Taxation

Current tax is the tax currently payable based on taxable profit for the period. Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. In addition, tax losses available to be carried forward, as well as other income tax credits to the Company, are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates and laws that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the period end.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are recognised directly in other comprehensive income or equity in which case the related deferred tax is also recognised in other comprehensive income or equity accordingly.

Pensions

The Company contributes to an auto-enrolment pension scheme and also to a number of personal pension schemes on behalf of some senior employees. The pension costs charged against operating profit are the contributions payable to the schemes in respect of the accounting period.

NOTES TO THE FINANCIAL STATEMENTS
8 months ended 31 March 2019

2. ACCOUNTING POLICIES (CONTINUED)

Share based payments

The company operated a share based payment employee share option schemes during the year. The SAYE sharesave scheme is an in equity only and is summarised below:

Scheme Description	Vesting Period	Maximum Term	Performance Criteria	Requirement *to remain in* employment
Sharesave Scheme	3 years from grant	6 months after vesting date	No criteria set	Yes

The performance criteria as set by the Remuneration Committee of iomart Group plc (the company's parent company) are based on the achievement of annual objectives and continuous employment. Unlike the Enterprise Management Incentive and Unapproved Schemes which are for selected employees, the Sharesave Scheme is made available to all employees who have successfully passed their relevant probation period.

As disclosed in note 6, a share based payment charge of £3,686 (2018: £nil) has been recognised in the statement of comprehensive income during the year in relation to the above scheme. The fair value of the employee services received is valued indirectly by valuing the options granted using the Black-Scholes option pricing model. The charge allocated to the company is driven by a calculation within iomart Group plc with the relevant charge being determined by the staff numbers allocated to the company. The detailed assumptions adopted in estimating this charge are outlined within note 26 of the iomart Group plc financial statements to 31 March 2019.

Profit from operations

Profit from operations comprises the results of the Company before interest receivable and similar income, interest payable and similar charges, corporation tax and deferred tax.

Capital and reserves

Capital and reserves comprise the following:

- "Called up share capital" represents the nominal value of equity shares.
- "Share based payments reserve" represents share-based remuneration plans, which are ultimately recognised as an expense through profit or loss.
- "Profit and loss account" represents all current and prior period retained profits and losses.

Key judgements and sources of estimation uncertainty

There are not considered to be any key assumptions, or levels of estimation uncertainty, which could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the past or present financial period.

NOTES TO THE FINANCIAL STATEMENTS
8 months ended 31 March 2019

3. TURNOVER

Geographical market by destination	8 months ended 31 March 2019 £	Year ended 31 July 2018 Unaudited £
United Kingdom	2,089,525	3,101,194
Rest of the World	136,286	214,981
	2,225,811	3,316,175

All turnover originates from one class of business which is the provision of colocation and managed cloud services.

4. OPERATING PROFIT

Operating profit is stated after charging:	8 months ended 31 March 2019 £	Year ended 31 July 2018 Unaudited £
Depreciation of tangible assets – owned assets	402,519	522,198
Operating lease expenditure (note 15)	16,530	32,985
Amortisation of intangible assets	-	483
Auditors' remuneration for audit services	5,000	-

5. INTEREST PAYABLE

	8 months ended 31 March 2019 £	Year ended 31 July 2018 Unaudited £
Interest payable on finance leases	25,439	31,120
Bank interest	3,558	-
	28,997	31,120

NOTES TO THE FINANCIAL STATEMENTS
8 months ended 31 March 2019

6. DIRECTORS AND EMPLOYEES

Number of employees

The average monthly number of employees (including directors) during the period was:

	8 months ended 31 March 2019 No.	Year ended 31 July 2018 Unaudited No.
Administrative staff	6	7
Customer service staff	2	2
Sales and marketing staff	24	25
	32	34

Employee costs were:

	8 months ended 31 March 2019 £	Year ended 31 July 2018 Unaudited £
Wages and salaries	1,063,644	1,184,521
Social security costs	92,320	118,558
Pension costs	23,123	42,426
Share based payments	3,686	-
	1,182,773	1,345,505

Directors' remuneration comprised:	8 months ended 31 March 2019 £	Year ended 31 July 2018 Unaudited £
Salaries	21,311	164,835
Fees	-	5,000
Pension costs	4,000	16,454
	25,311	186,289

The directors' remuneration for the current period and the previous year relates to directors who have resigned during the current period. The current Directors are employed and remunerated by other companies in the iomart Group. They do not receive any remuneration specifically for their services as Directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS
8 months ended 31 March 2019

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax credit	**8 months ended 31 March 2019 £**	**Year ended 31 July 2018 Unaudited £**
Tax credit on profit/(loss) on ordinary activities – current period	-	(900)
Adjustments in respect of prior years	-	48
Total current taxation credit	-	(852)
Deferred taxation credit		
Origination and reversal of timing differences	(14,488)	(17,800)
Total taxation credit	(14,488)	(18,652)

Factors affecting the tax credit for the current period/year	**8 months ended 31 March 2019 £**	**Year ended 31 July 2018 Unaudited £**
(Loss)/profit on ordinary activities before taxation	(150,656)	266,369
Tax at 19% (2018 – 19%) thereon:	(28,625)	50,610
Effects of:		
Expenses not deductible for tax purposes	190	1,577
Depreciation on fixed assets not eligible for capital allowances	4,815	5,919
Share based payments	700	-
Additional deduction for research and development expenditure	-	(97,901)
Losses surrendered for research and development tax credit	-	887
Deferred tax on fixed assets transferred from holding company	41,643	-
Adjustments in current tax relating to prior periods	-	48
Deferred tax relating to changes in tax rates	1,709	2,159
Recognition of prior year losses	(12,699)	-
Group relief	(22,221)	18,049
Total taxation credit for the period/year	(14,488)	(18,652)

A number of changes to the UK Corporation tax system were announced in the March 2016 budget statement with the main rate of corporation tax reduced from 18% to 17% from 1 April 2020. These changes were substantively enacted in the prior year and therefore are included in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
8 months ended 31 March 2019

8. PROPERTY, PLANT AND EQUIPMENT

	Property improvements £	Computer equipment £	Total £
Cost			
At 1 July 2018	576,354	1,581,331	2,157,685
Additions	23,879	166,956	190,835
Transfer from holding company	507,718	-	507,718
Disposals	-	(33,515)	(33,515)
At 31 March 2019	1,107,951	1,714,772	2,822,723
Accumulated depreciation			
At 1 July 2018	(244,675)	(784,016)	(1,028,691)
Charge for the period	(96,919)	(305,600)	(402,519)
Transfer from holding company	(152,316)	-	(152,316)
On disposals	-	29,729	29,729
At 31 March 2019	(493,910)	(1,059,887)	(1,553,797)
Net book value			
At 31 March 2019	614,041	654,885	1,268,926
At 31 July 2018 (unaudited)	331,679	797,315	1,128,994

The net book value of assets held under finance lease at 31 March 2019 was computer equipment of £176,100 (2018: £319,795). Depreciation charged in the year to 31 March 2019 on computer equipment held under finance lease was £143,695 (2018: £226,038).

9. DEBTORS

Amounts falling due within one year	31 March 2019 £	31 July 2018 Unaudited £
Trade debtors	67,650	105,434
Corporation tax recoverable	900	900
Other debtors	86,949	85,171
Amounts owed by group undertakings	-	41,270
	155,499	232,775

NOTES TO THE FINANCIAL STATEMENTS
8 months ended 31 March 2019

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2019 £	31 July 2018 Unaudited £
Trade creditors	121,206	91,000
Accruals	128,117	90,612
Deferred income	324,097	401,348
Other creditors	7,302	22,921
Deferred tax (note 13)	6,012	20,500
Other taxation and social security	141,071	133,734
Amounts owed to group undertakings	108,624	-
Finance leases	224,375	275,856
	1,060,804	1,035,971

The company's banking facility is secured by a bond and floating charge over all the assets of the company. Finance lease creditors are secured against the fixed asset computer and network equipment to which they relate.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2019 £	31 July 2018 Unaudited £
Finance leases	44,124	168,572

Finance lease creditors are secured against the fixed asset computer and network equipment to which they relate.

12. BORROWINGS

The obligations under finance leases are secured by the related assets and are repayable as follows:

	31 March 2019 £	31 July 2018 Unaudited £
Within one year (note 10)	224,375	275,856
Between two and five years (note 11)	44,124	168,572
	268,499	444,428

NOTES TO THE FINANCIAL STATEMENTS
8 months ended 31 March 2019

13. DEFERRED TAX

	8 months ended 31 March 2019 £	Year ended 31 July 2018 Unaudited £
The deferred taxation included in the statement of financial position and the movement in deferred taxation during the period was:		
Balance brought forward	(20,500)	(38,300)
Profit and loss account movement arising during the period/year (note 7)	14,488	17,800
Included in creditors: amounts falling due within one year (note 10)	(6,012)	(20,500)
The balance of deferred taxation consists of the tax effect of timing differences in respect of:		
Capital allowances	(17,374)	(20,500)
Losses carried forward	11,362	-
	(6,012)	(20,500)

14. SHARE CAPITAL

	31 March 2019 £	31 July 2018 Unaudited £
Authorised, allotted, called up and fully paid:		
100 ordinary shares of £1 each	100	100

15. FINANCIAL COMMITMENTS

Operating lease commitments

At 31 March 2019 the company had commitments under non-cancellable operating leases as follows:

	Land and buildings	
	31 March 2019 £	31 July 2018 Unaudited £
Within one year	70,566	32,985
Between two and five years	42,275	-
	112,841	32,985

Pension commitments

The Company contributes to an auto-enrolment pension and a defined contribution scheme on behalf of some staff members. The total pension cost which is charged against profits represents contributions payable by the company and amounted to £23,123 (2018: £42,426).

NOTES TO THE FINANCIAL STATEMENTS
8 months ended 31 March 2019

15. FINANCIAL COMMITMENTS (CONTINUED)

Capital expenditure commitments

Capital expenditure on fixed assets committed by the company at 31 March 2019 was £156,862 (2018: £nil).

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company and controlling party is iomart Group plc, a company registered in Scotland, which heads the smallest and largest group in which the results of Bytemark Limited are consolidated.

The consolidated financial statements are available from iomart Group plc, Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow, G20 0SP.

17. RELATED PARTY TRANSACTIONS

As permitted by FRS 101, related party transactions with iomart Group plc and its other wholly owned subsidiaries have not been disclosed. Related party transactions regarding remuneration and dividends paid to key management (only directors are deemed to fall into this category) of the Company have been disclosed in note 27 of the iomart Group plc financial statements.