Nasstar plc
Interim results for the 6 months ended 30 June 2017

Nasstar plc ("Nasstar", the "Company" or the "Group"; stock code: NASA), a provider of hosted managed and cloud computing services, announces its unaudited interim results for the 6 months ended 30 June 2017.

Financial Highlights

- 47% revenue growth compared to the same period last year (underlying growth 8%†)
- 45% gross profit growth compared to the same period last year (underlying growth 4%†)
- 66% adjusted** EBITDA* growth compared to the same period last year (underlying growth 13%†)
- £139k of new monthly recurring revenue (RR) has been secured in 2017 (representing a potential 8% organic growth in RR to date), with £24k of this new monthly recurring revenue delivered in H1. Therefore an additional £115k per month of signed recurring revenue which will begin to impact during H2
- Recurring revenue now represents 90% of total revenues (H1 2016: 88%)
- Adjusted earnings*** per share 0.3p for 6 months to 30 June 2017 (H1 2016: 0.3p)
- Basic loss per share 0.1p for 6 months to 30 June 2017 (H1 2016: 0.1p)
- Net debt position improved to £1m (H1 2016: £4.9m)
- The Group benefited from the ratchet down of interest on its fixed term loan. From May 2017 the Group's interest margin over base rate moved from 2.75% to 2.5%

	6 mths to 30 June 17 £'000	**6 mths to 30 June 16 £'000**	**12 mths to 31 Dec 16 £'000**
Revenue	11,871	8,084	18,748
EBITDA*	2,239	1,599	3,552
Adjusted EBITDA**	2,650	1,599	3,759
Operating loss	(884)	(593)	(1,407)
Loss before tax	(1,013)	(770)	(1,771)
Adjusted Profit before tax***	1,539	742	1,857

**Comprising earnings adjusted for interest, taxation, depreciation, amortisation and share based payments*
***adjusted for exceptional items being costs in relation to reorganisation costs and transaction costs*
****adjusted for amortisation of purchased intangibles, share based payments and exceptional items*
† underlying figures exclude the impact of acquisitions

Key Performance Indicators

	30 June 17	**30 Jun 16**	**31 Dec 16**
Monthly recurring revenue run rate	£1.802m	£1.233m	£1.778m
Average monthly recurring revenue per hosted desktop	£134	£110	£114
Recurring % of total reported revenue	90%	88%	88%
Gross profit percentage	69%	70%	69%

Operational Highlights

- Started to see the benefits of the “Nasstar 10-19” plan materialise with Adjusted EBITDA margin increasing to 22% of revenue against the “Nasstar 10-19” target of 25% by the end of 2019.

- Overall prospective business to date in 2017 has been encouraging with indications that the Nasstar offering is continuing to be more attractive to clients of an increased size. This is demonstrated by Nasstar being selected as preferred supplier and moving to a proof of concept (POC) stage for delivering a hosted desktop solution to another public company that has 1,000 users. If the POC progresses well in H2, a contract is likely to be secured that will generate at least £2m of revenue over a 36 month contract duration.

- Significant investment in the account management team to ensure customers are proactively managed and revenue opportunities within the wider client base maximised.

- The Group’s professional services team has been active on the development of its own application functionality, enhancing Nasstar’s own Intellectual Property (IP), which has included product development in:-
    - a self-service cloud portal;
    - a General Data Protection Regulation (GDPR) compliance tool and;
    - a CRM & telephone integration conduit.

- All UK based out of hours support migrated to the Nasstar New Zealand office (acquired with Modrus), thus generating operational efficiencies across the Group.

- Plans established in H1 to close three of Nasstar’s seven UK data centres, which has seen one close post H1.

- As part of establishing a single & excellent approach to customer service that is continually improving, Nasstar has:-
    - consolidated all CRM systems across the Group onto one new Dynamics CRM platform;
    - rolled out Client Heartbeat as a single and central method of measuring customer satisfaction;
    - rolled out People HR and Office Vibe as the central platforms for managing talent across the Group;
    - merged and centralised the scope of its ISO27001 certification to include all areas of the business;
    - selected Cherwell as the single IT Service Management tool; group wide roll-out will commence during the second half of 2017 with completion expected in 2018.

- For the second year running listed in the 1,000 Companies to Inspire Britain.

- Nasstar’s public/private hybrid solution maturing with a number of international deployments benefiting from the use of Nasstar’s Public and Private data centre capability.

- The rebranding of the subsidiaries continued in the first half of 2017 with the Modrus Ltd subsidiary undertaking a full Nasstar rebrand with their name changing to Nasstar South Ltd. Similar rebranding is planned for VESK during H2 2017

Nigel Redwood, Chief Executive Officer of Nasstar, commented:

“The “Nasstar 10-19” programme has gained significant traction in H1 and I am delighted that we have seen the results of the initiatives materialise in these positive results, with Nasstar truly becoming one company in structure and name. As a result the first half of the year has progressed positively with trading in line with management expectations.

New business has been strong and I am pleased to see contracted recurring revenue continue to grow and especially encouraged by the proof of concept that we are currently engaged in for a 1,000 user organisation. This demonstrates further that our delivery model is becoming increasingly attractive to the upper quartile of the SME market place.

In another pivotal year for Nasstar I feel we have initiated programmes to maximise the synergy savings and cross sell opportunities created by our acquisitive strategy."

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Chairman's Statement

I am encouraged by H1 performance and have been especially pleased to see the "Nasstar 10-19" program deliver tangible operating efficiencies. As a result we have seen EBITDA grow by 40%, with underlying adjusted EBITDA growth of 13% comfortably outstripping very creditable underlying revenue growth of 8%. Furthermore recurring revenue represented 90% of total revenues, demonstrating the strength of our underlying contract base and our quality of earnings.

To date in 2017 we have secured new orders worth £139,000 of monthly recurring revenue, the majority of which has not been delivered or recognised in H1. This represents already a possible 8% growth in monthly RR clearly demonstrating that the investments made in the new business sales team and account management team are beginning to deliver.

Operating loss for the period was £884,000 increasing from £593,000 in the comparative period reflecting an increase in customer contract amortisation of £625,000 to £2,099,000 together with £411,000 of exceptional items in relation to the "Nasstar 10-19" consolidation programme.

The team continues to execute our "Nasstar 10-19" programme to ensure we can achieve maximum operational gearing and synergy benefits available to the enlarged Group. This is a three year plan which the entire Group is bought into and contributing to its delivery.

Innovation has always been essential at Nasstar, and I can see that the technical teams continue to push for innovation with Nasstar now truly delivering public private hybrid cloud solutions.

Finally I was again proud to see for the second year running Nasstar being listed in the 1,000 Companies to Inspire Britain, this is demonstrable external validation in the strategy of our Group.

Outlook

Despite the relative uncertain economic climate the Board believe the Group remains well positioned, benefitting from high levels of recurring revenue, providing an essential service to its clients on a more reliable, efficient and flexible cost basis than they would be likely to achieve themselves.

Nasstar continue to see the fruits of its organic and acquisitive growth strategy that was initiated in 2014. Acquisitions completed since then have brought together leading managed solution providers in our industry, and enable Nasstar to deliver end to end services for customers without having to outsource any substantial part of the service to partners. As a result, Nasstar's capabilities are uniquely placed in the market and our vertical specialisation continues to generate organic growth and differentiation from competition.

The initiation of the “Nasstar 10-19” programme ensures these services will be available to all customers whilst focusing on improving customer service and service delivery by standardising on the best solutions within the Group. This continues to put Nasstar on sound foundations to deliver future growth.

This clear strategy combined with organisational scale provides a strong platform for growth from which we can continue to create shareholder value.

Lord Daresbury
Chairman

Business Review

The Group is a provider of hosted managed and cloud computing services, integrating private and public clouds supplying a robust, secure and stable hosted Information Technology service to business customers. The Group provides a true end to end service for clients providing them with enhanced IT performance and greater cost control over their IT function. The Group owns its primary data centre, is head quartered in Telford with regional offices in Northampton, London and Bournemouth whilst 24 x 7 support is delivered from its Auckland office in New Zealand. Nasstar is an accredited Microsoft Gold Partner, was the 2016 Citrix Networking Partner of the Year and is certified to ISO 27001.

Nasstar specialises in building bespoke cloud hosted services to manage a client’s entire application set, tailor made to suit specific industries, designing public, private and hybrid cloud solutions to meet the objectives of the client. The solution is a highly scalable service that provides benefits including “Anywhere Access” to computing; a standardised corporate solution that can be accessed globally in multiple languages; generating cost savings when compared to the traditional IT ownership model whilst replacing capital expenditure with a simple usage based payment model.

The bespoke cloud hosted services includes a comprehensive portfolio of solutions, offering Hosted Desktop, Office 365 (O365), Hosted Exchange, Software as a Service (SaaS), Infrastructure as a Service (IaaS), Azure, and Hosted Telephony services. Additionally, the Group hosts a wide variety of software applications on behalf of clients. Further, the Group provides managed networks and an extensive end user support service. All such services are supplied on a price per user per month basis building a stronger long term recurring revenue relationship with clients.

The Group holds a tier one agreement to sell Microsoft’s cloud offerings known as O365 and Azure. The programme enables the Group to supply O365 on a truly flexible per user per month model, with the Group contracting with the end user and retaining full invoicing and customer support. In addition Nasstar is Shared Computer Activation (SCA) accredited. This SCA accreditation enables Nasstar to integrate O365 fully with hybrid platforms. Nasstar are one of a few Microsoft partners that hold such accreditation today. This has enabled the Group to further integrate the O365 offering into its hosted desktop solution, embracing the innovations of O365 as a clear differentiator over its competitors. In addition, the Cloud Solution Programme (CSP) enables the Group to benefit from the economies derived from the use of the Microsoft Azure platform, Microsoft’s hyper scale IaaS offering.

Through our central Professional Services Team Nasstar provides consultancy services on business processes and application development to its clients in its targeted vertical markets. This enhances its added value service to its managed service client base. As an example, through its exclusive sector focus, Nasstar has built strong relationships with the specialist software providers (authors), thus enabling it to offer clients a one-stop solution for all their essential applications.

Nasstar recognises that cyber security continues to be a rapidly changing landscape and therefore bolstered their internal capabilities by partnering with a specialist in this area Falanx Cyber Defence. Falanx supply protective monitoring services and cyber incident response support for Nasstar as well as additional consulting services for customers. Cyber Defence as a Service for clients as a result is a growing service line adopted by the customer base.

Strategy

2016 saw the successful execution of the enhanced marketing plan which included the relaunch of the Nasstar brand and consolidation of the e-know.net and Kamanchi names. This has supplied a proven route for brand consolidation which has seen Modrus being rebranded Nasstar South Ltd in H1 with the VESK name being dropped in H2 2017. The aim of the brand consolidation is to maximise the respective strengths of the combined offerings and to help differentiate the full stack of services that the Group can offer, thus ensuring maximum cross sell capabilities and revenue synergy opportunities.

The acquisitive strategy of Nasstar has been driven by the desire to add service portfolio capability and as a result Nasstar can now deliver an end to end managed service. From the client computer on the end users' desk, through the network, telephony and hosting of applications and data, progressing up through the value chain to application consultancy services and development.

Vertical focus and a clear strategy on creating long standing relationships with clients continues, and is enhanced by the strategy to add more value for a client during the life of a contract through the delivery of more services to meet the client's changing needs. As a result in H1 2017 we have invested in the account management function in order to ensure the complete service portfolio of the entire Group is available to all clients.

In 2017 we launched our "Nasstar 10-19" programme designed to bring about increased strategic focus across the entire Nasstar business to achieve specific goals by the end of 2019, with a view to unifying the Group in structure, process and name. As previously detailed, this initiative focuses on the following key strategic integration and synergy realisation objectives:-

- Align the whole team to a common mission: clear goal, clear priorities, which has been completed in H1.

- Develop a common Group-wide set of KPI's and governance, ultimately designed to increase the Adjusted EBITDA percentage from 20% to 25% by the end of 2019.

- Develop a single & excellent approach to customer service that is continually improving and which directly contributes to reducing churn through increased customer satisfaction.

- Consolidate technology, licences and platforms, which includes the consolidation of data centres and technical platforms to save costs and increase stability.

- Integrate and streamline teams and reporting structures to increase revenue per head by 25%.

- Automate to facilitate efficiencies and realise economies of scale, to:
    - automate the key manual processes;
    - thus breaking the link between revenue and people;
    - whilst reducing the time between contract signature and revenue recognition.

- Refine the market proposition and service pillars to maximise the fit with our target customers and verticals.

- Create a structured and effective sales engine that:
    - continues to meet or beat current organic growth rate;
    - has a sales mix that maintains at least 85% recurring revenue;
    - delivers industry focused solutions, combining private & public cloud;
    - continues to add key customer contracts each year.

Nasstar has made considerable progress in all objectives of the "Nasstar 10-19" programme, highlights in H1 being:-

- We have invested significantly in the account management team to ensure that
    - customers are proactively managed;
    - revenue opportunities within the wider client base are maximised.

- All UK based out of hours support was migrated to the Nasstar New Zealand office, thus generating operational efficiencies across the Group.

- Plans established in H1 to close three of Nasstar's seven UK data centres, which has seen one close post H1.

- As part of establishing a single & excellent approach to customer service that is continually improving Nasstar has:-
    - consolidated all CRM systems from across the Group onto one new Dynamics CRM platform;
    - rolled out Client Heartbeat as a single and central method of measuring customer satisfaction;
    - rolled out People HR and Office Vibe as the central platforms for managing talent across the Group;
    - merged and centralised the scope of our ISO27001 certification to include all areas of the business;
    - selected Cherwell as the single ITSM tool; group wide roll-out will commence during the second half of 2017 with completion expected in 2018.

Financial Review

The directors regularly review monthly revenue and operating costs to ensure that sufficient cash resources are available for the continued development and support of its service. Primary KPIs at the period end were as follows:

	6 mths to 30 June 17 £'000	**6 mths to 30 June 16 £'000**	**12 mths to 31 Dec 16 £'000**
Revenues	11,871	8,084	18,748
Operating costs, including cost of sales*	10,203	7,165	16,527
Current assets (excluding cash)	3,781	2,068	4,731
Current liabilities	8,014	5,547	7,725
Cash and cash equivalents	3,650	1,375	2,969
Total Revenue	11,871	8,084	18,748
Recurring Revenue (*as defined below*)	10,700	7,120	16,456
Recurring % of total reported revenue	90%	88%	88%

**Excluding share based payments and customer contract amortisation*

Group revenue for the six month period ending 30 June 2017 was £11.9m, representing growth of 47% compared to the same period last year (H1 2016: £8.1m). Delivered recurring revenue grew in H1 by £24,000 per month, which when combined with the signed but undelivered £62,000 per month, which will be recognised in H2, represented a 5% organic sales growth in recurring revenue. Furthermore post period end, to date, £53,000 of monthly recurring revenue was secured which represents growth of 8% from the £1.778m monthly recurring revenue run rate at the end of December 2016.

Gross margin percentage has been maintained at 69% (full year 2016: 69%), despite continued foreign exchange pressure, and subsequent price rises from licence suppliers.

Operating loss for the period was £884,000 compared to £593,000 in H1 2016, reflecting increased customer contract amortisation of £2,099,000 (H1 2016 £1,474,000m) and exceptional items of £411,000 (H1 2016: nil).

Adjusted EBITDA has seen growth of 66% compared to the comparative period with underlying growth (underlying figures exclude the impact of acquisitions) of 13% with adjusted EBITDA margin increasing to 22% from 20% in prior periods.

Adjusted profit before tax** increased to £1,539,000 from £742,000 in the comparative period, reflecting organic growth since June 2016 and the impact of the Modrus acquisition in H2 2016. The statutory loss before tax as £1,103,000 (H1 2016: £770,000)

Adjusted profit after tax rose 65% to £1,701,000 for the period (H1 2016: £1,028,000m) adjusted for amortisation of purchased intangibles, share based payments and exceptional items. The statutory loss after tax was £851,000 (2016: £484,000).

Exceptional items for the period relate to the “Nasstar 10-19” reorganisation program, and consist of costs of organisational restructure and consolidation of offices and data centres.

Leverage targets, in relation to the bank loan raised to fund the VESK acquisition, were met and interest margin was reduced to 2.5% from 2.75% as a result. This is the second target to be met, reducing the loan interest margin in total from 2.95% to 2.5%.

At the period end the Group showed a net debt position of £1m (after loans and finance leases) with £3.7m cash in the bank.

** Adjusted for share based payments, customer intangible amortisation and exceptional items.

New Accounting standards

The Group notes IFRS15 *Revenue from Contracts with Customers* which is to be adopted for accounting periods beginning on or after 1 January 2018. The Group also notes IFRS 16 *Leases* which is to be adopted for accounting periods beginning on or after 1 January 2019.

A detailed review is underway to assess the impact of these new standards, at this time it is not practical to provide a reasonable estimate of the effect of implementation. Further details will be provided when our review is completed.

Alternative performance measures

In order to provide useful information to users of this announcement about the Group’s performance and to present information in a way that reflects how the Directors monitor and measure the performance of the Group the Directors believe it is appropriate to present the results of the Group using selected alternative performance measures.

The following provides an indication of the purpose and definition of each of the alternative performance measures presented in the Annual report and financial statements, and this interim report, together with an appropriate reference to IFRS measures presented in the IFRS financial statements, where applicable.

Monthly recurring revenue run rate represents the monthly revenue contracted to clients under managed service contracts which reflects revenue contracted but not yet delivered. Monthly revenue from these contracts is recognised on a straight-line basis over the life of the contract, in line with delivery of service. Monthly recurring revenue at the year-end gives an indication of the revenue likely to be recognised from these contracts in future months.

Underlying growth is growth achieved compared to the previous year excluding the impact of acquisitions, in both periods, to provide clearer comparative information in regards to organic performance.

Recurring % of total reported revenue is the total revenue recognised in the period from recurring revenue contracts as a percentage of total revenue.

EBITDA is calculated by adding back depreciation, amortisation and share based payments to operating loss. Adjusted EBITDA is EBITDA adjusted for exceptional items. Adjusted profit before tax and adjusted profit after tax are calculated by adjusting for share based payments, customer intangible amortisation and exceptional items.

Adjusted EBITDA is calculated as follows:

	6 mths to 30 Jun 17 Unaudited	6mths to 30 Jun 16 Unaudited	12 mths to 31 Dec 16 Audited
Operating loss	(884)	(593)	(1,407)
Depreciation and amortisation	982	680	1,538
Amortisation of customer intangibles	2,099	1,474	3,374
Share based payments	42	38	47
Exceptional items	411	-	207
Adjusted EBITDA	2,650	1,599	3,759

Adjusted earnings per share has been calculated as follows:-

	6 mths to 30 Jun 17 Unaudited	6mths to 30 Jun 16 Unaudited	12 mths to 31 Dec 16 Audited
Reported Loss attributable to shareholders of the parent	(851)	(484)	(1,127)
Amortisation of acquired intangibles including customer contract intangible	2,099	1,474	3,374
Exceptional Items **	411	-	207
Share Based Payments	42	38	47
Adjusted profit attributable to shareholders of the parent	1,701	1,028	2,501
Adjusted basic earnings per ordinary share*	0.3p	0.3p	0.6p
Basic loss per share	(0.1p)	(0.1p)	(0.3p)
The diluted loss per share in all periods is the same as basic loss per share as losses have an anti-dilutive effect.			

**adjusted for amortisation of purchased intangibles, share based payments and exceptional items*
***assumed not tax deductible for the purposes of this illustrative calculation*

Net debt is calculated as cash less interest bearing loans and borrowings

Conclusion

The Board feels that Nasstar is well positioned in terms of the capabilities of its service portfolio, enabling Nasstar to control and deliver an end to end service. The board believes Nasstar is uniquely placed in the industry with exceptionally high levels of recurring revenue, healthy EBITDA margins and proven organic growth capabilities. That, combined with the “Nasstar 10-19” consolidation programme, gives the board clear visibility of its business plan.

Nasstar continues to differentiate from the competition by focusing on vertical sector specialisms and is embracing the public cloud in its overall solution set. This protects against commoditisation in the sector whilst harnessing fast moving technologies for the benefit of clients, thus delivering best of breed solutions.

The varied initiatives we are progressing, including our brand unification, broadening the Nasstar service offering, diversifying the customer base, increasing the target market vertical specialisms and providing opportunity for margin improvement all contribute, both to motivating staff, whose dedication and endeavour is huge and appreciated, and to continuing to drive shareholder value.

Nigel Redwood
Chief Executive Officer
25 September 2017

Condensed Consolidated statement of Profit and Loss and other Comprehensive Income

	Note	6 mths to 30 Jun 17 Unaudited	6mths to 30 Jun 16 Unaudited	12 mths to 31 Dec 16 Audited
		£000	£000	£000
Revenue		11,871	8,084	18,748
Cost of sales		(3,694)	(2,436)	(5,805)
Gross profit		8,177	5,648	12,943
Administrative expenses		(9,061)	(6,241)	(14,350)
Share based payments		(42)	(38)	(47)
Amortisation of customer intangibles		(2,099)	(1,474)	(3,374)
Other administrative expenses		(6,509)	(4,729)	(10,722)
Administrative expenses before exceptional items		(8,650)	(6,241)	(14,143)
Operating loss before exceptional items		(473)	(593)	(1,200)
Exceptional items	4	(411)	-	(207)
Operating loss		(884)	(593)	(1,407)
Financial income		-	-	1
Financial expenses		(129)	(177)	(365)
Loss before tax		(1,013)	(770)	(1,771)
Taxation	5	162	286	644
Loss for the period and total comprehensive income for the period, attributable to shareholders		(851)	(484)	(1,127)
Loss per share:	7			
Basic		(0.1p)	(0.1p)	(0.3p)
Diluted		(0.1p)	(0.1p)	(0.3p)

Condensed Consolidated Statement of Financial Position
at 30 June 2017

	Note	30 Jun 2017 Unaudited £000	30 Jun 2016 Unaudited £000	31 Dec 2016 Audited £000
Non-current assets and liabilities				
Goodwill		15,421	8,929	15,421
Intangible assets		11,607	9,304	13,645
Plant and equipment		4,889	4,078	5,235
		31,917	22,311	34,301
Current assets				
Inventories		28	29	9
Other financial assets		-	-	7
Trade and other receivables		3,753	2,039	4,715
Cash and cash equivalents		3,650	1,375	2,969
		7,431	3,443	7,700
Total assets		39,348	25,754	42,001
Non-current liabilities				
Interest-bearing loans and borrowings		3,000	4,509	4,091
Deferred taxation		1,665	1,207	1,946
		4,665	5,716	6,037
Current liabilities				
Interest-bearing loans and borrowings		1,638	1,778	1,711
Trade and other payables		6,246	3,769	6,014
Provisions	*8*	130	-	
		8,014	5,547	7,725
Total liabilities		12,679	11,263	13,762
Net assets		26,669	14,491	28,239
Equity attributable to equity holders of the parent				
Share capital		5,743	3,849	5,795
Other reserves		20,926	10,642	22,444
Total equity		26,669	14,491	28,239

Condensed Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Merger reserve £000	Retained deficit £000	Total equity £000
Balance at 1 January 2016	3,849	11,252	4,737	(4,728)	15,110
Comprehensive income					
Loss for the year recognised in profit and loss	-	-	-	(484)	(484)
Total comprehensive income for the year	-	-	-	(484)	(484)
Share based payment recognised in equity	-	-	-	38	38
Dividend				(173)	(173)
At 30 June 2016	3,849	11,252	4,737	(5,347))	(14,491)
Comprehensive income					
Loss for the period recognised in profit and loss	-	-	-	(643)	(643)
Total comprehensive income for the period	-	-	-	(643)	(643)
Shares issued in period	1,946	11,528	1,279	-	14,753
Expenses of share issue	-	(371)	-	-	(371)
Share based payment recognised in equity	-	-	-	9	9
At 31 December 2016	5,795	22,409	6,016	(5,981)	28,239
Comprehensive income					
Loss for the period recognised in profit and loss	-	-	-	(851)	(851)
Total comprehensive income for the period	-	-	-	(851)	(851)
Share cancellation	(52)	(410)	-	-	(462)
Share based payment recognised in equity	-	-	-	42	42
Dividend	-	-	-	(299)	(299)
At 30 June 2017	5,743	21,999	6,016	(7,089)	26,669

Condensed Consolidated Statement of Cash Flows

	6 mths to 30 Jun 17 Unaudited £000	6mths to 30 Jun 16 Unaudited £000	12 mths to 31 Dec 16 Audited £000
Cash flows from operating activities			
Loss for the period	(851)	(484)	(1,127)
Adjustments for:			
Net finance charges	129	177	364
Taxation	(162)	(286)	(644)
Depreciation and amortisation	3,081	2,154	4,912
Share based payments	42	38	47
Corporation tax payments	(65)	-	17
Net cash flow from operating activities before changes in working capital	2,174	1,599	3,569

(Increase)/decrease in inventories	(19)	(19)	29
Decrease/(increase) in trade and other receivables	505	(79)	(1,046)
Increase in trade and other payables	12	299	669
Net cash from operating activities	2,672	1,800	3,221
Cash flows from investing activities			
Acquisition of intangible assets	(129)	(61)	(137)
Acquisition of property, plant and equipment	(568)	(817)	(1,672)
Acquisition of subsidiary undertakings, net of cash acquired	-	-	(10,921)
Net cash from investing activities	(697)	(878)	(12,730)
Cash flows from financing activities			
Issue of ordinary shares	-	-	13,300
Expenses of issue of ordinary shares	-	-	(371)
Repayment of lease finance arrangements	(197)	(310)	(526)
Repayment of bank loan	(968)	(639)	(967)
Interest paid	(129)	(177)	(365)
Interest received	-	-	1
Dividend paid	-	-	(173)
Net cash from financing activities	(1,294)	(1,126)	10,899
Net increase/(decrease) in cash and cash equivalents	681	(204)	1,390
Cash and cash equivalents the beginning of the period	2,969	1,579	1,579
Cash and cash equivalents at the end of the period	3,650	1,375	2,969

Notes to the interim statement

1. *Corporate information*

Nasstar plc ("the Company") is a company incorporated in England and Wales and quoted on the London Stock Exchange's Alternative Investment Market (NASA). Further copies of these results will be available at the Company's registered office: Datapoint House, 400 Queensway Business Park, Queensway, Telford, Shropshire, TF1 7UL or on the Company website at www.nasstar.com. These consolidated interim financial statements were approved by the Board of Directors on 22 September 2017.

2. *Basis of preparation*

These condensed interim financial statements of the Company and its subsidiaries ("the Group") for the 6 months ended 30 June 2017 have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

These consolidated interim financial statements of the Group are for the six months ended 30 June 2017. The comparative figures for the 12 month period ended 31 December 2016 are derived from the Group's statutory accounts for that financial period. Those statutory accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditor was (i) unmodified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without modifying its report and (iii) did not contain a statement under Section 498 of the Companies Act 2006.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

The condensed consolidated interim financial statements for the six months to 30 June 2017 have not been audited or reviewed by an auditor pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

The condensed consolidated interim financial statements for the six months to 30 June 2017 have been prepared on the basis of the accounting policies expected to be adopted for the year ending 31 December 2017. These are anticipated to be consistent with those set out in the Group's latest annual financial statements for the year ended 31 December 2016. These accounting policies are drawn up in accordance with International Financial Reporting Standards, International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively IFRSs) as adopted for use in the European Union.

AIM-listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has taken advantage of this exemption.

Forward-looking statements:
This report may contain certain statements about the future outlook for Nasstar plc. Although the directors believe their expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

3. Segmental analysis
A segment is a distinguishable component of the Group that is engaged in providing products or services in a particular business sector (business segment) or in providing products or services in a particular economic environment (geographic segment), which is subject to risks and rewards that are different in those other segments.

The Group operated in the period in one segment, the provision of hosted managed services, and in one market, the United Kingdom. The disclosures required by IFRS8 relating to profits, losses, assets and liabilities of the segment are therefore shown by the financial statements as a whole.

4. Exceptional items
The following items are considered significant by virtue of their size and nature and therefore have been recognised as exceptional items during the period

	6 mths to 30 Jun 17 Unaudited £'000	**6 mths to 30 Jun 16 Unaudited £'000**	**12 mths to 31 Dec 16 Audited £'000**
Acquisition costs	-	-	207
Reorganisation costs – organisation structure	195	-	-
Reorganisation costs – Data Centre/Office closure	80	-	-
Provision for onerous lease	136		
	411	-	207

5. Income tax credit
The income tax credit for the period is based on the estimated rate of corporation tax that is likely to be effective for the year to 31 December 2017.

6. Dividends

A final dividend of 0.052p in respect of 2016 was paid on 10 July 2017 to shareholders on the register at the close of business on 9 June 2017.

7. Earnings per share

Loss per share:	
Basic	**(0.1p)**
Diluted	**(0.1p)**

The calculation of the basic loss per share for the six months ended 30 June 2017 is based upon the following.

	6 mths to 30 Jun 17 Unaudited	**6 mths to 30 Jun 16 Unaudited**	**12 mths to 31 Dec 16 Audited**
Weighted average no. of shares in issue	574,542,287	384,875,619	449,942,286
Loss attributable to shareholders of the parent	(£851,000)	(£484,000)	(£1,127,000)
Loss per 1p ordinary share	(0.1p)	(0.1p)	(0.3p)

The diluted loss per share for all periods is the same as the basic loss per share as the losses have an anti-dilutive effect.

8. Provisions

	30 Jun 2017Unaudited £'000	**30 Jun 2016Unaudited £'000**	**31 Dec 2016Audited £'000**
Provision for loss making contracts	-	86	-
Provision for onerous lease	130	-	-

9. Availability of audited and interim accounts

Copies of the 2016 audited accounts are available on the Company's website (http://www.nasstar.com/investors/financial-reports) for the purposes of AIM rule 26. Further copies of these interim results will be available at the Company's registered office: Datapoint House, 400 Queensway Business Park, Queensway, Telford, Shropshire, TF1 7UL or on the Company website at www.nasstar.com.