Consolidated Half Yearly Results 2012

6 months ended 30 September 2012

“We are investing millions of pounds over the next decade to give iomart one of the fastest and most resilient fibre networks of any cloud computing company in the UK.”

Angus MacSween, CEO iomart Group plc

Highlights

iomart (AIM:IOM), the cloud computing company, is pleased to report its consolidated half yearly results for the period ended 30 September 2012.

FINANCIAL HIGHLIGHTS

- Revenue growth of 29% to £19.9m (H1 2012: £15.4m)
- Adjusted EBITDA[1] growth of 51% to £7.6m (H1 2012: £5.0m)
- Adjusted profit before tax growth[2] of 66% to £4.9m (H1 2012: £3.0m)
- Adjusted basic earnings per share[3] from operations increased by 32% to 3.61p (H1 2012: 2.74p)
- Cashflow from operations increased by 54% to £6.4m (H1 2012: £4.1m)

OPERATIONAL HIGHLIGHTS

- Acquisition of Melbourne Server Hosting Limited for a total consideration of £6.7m
- Acquisition of Skymarket Limited for a maximum consideration of £1.4m
- Acquisition of Internet Engineering Limited for a maximum consideration of £1.5m post period end
- Deployment of resilient UK fibre network across all datacentres
- Additional 16,000 sq ft of space acquired to increase datacentre estate

iomart
100% UPTIME

29%
INCREASE
in Revenue

51%
EBITDA
Growth

66%
PROFIT
Increase

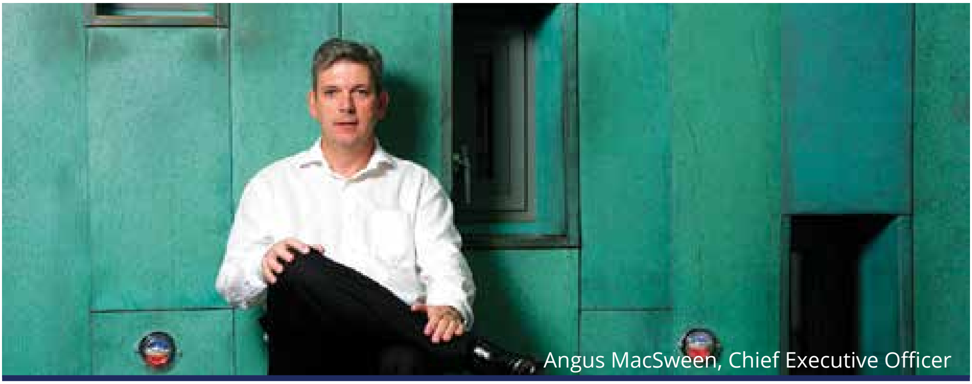
54%
INCREASE
in Cashflow

Statutory Equivalents

The above highlights are based on adjusted results. A full reconciliation between adjusted and statutory results is contained within this statement. The statutory equivalents of the above results are as follows:

- *Profit before tax growth of 73% to £4.1m (H1 2012: £2.4m)*
- *Basic earnings per share from operations increased by 36% to 3.03p (H1 2012: 2.23p)*

1 Throughout this statement adjusted EBITDA 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
2 Throughout this statement adjusted profit before tax is profit before tax, amortisation charges on acquired intangible assets, shared based payment charges and acquisition costs.
3 Throughout this statement adjusted earnings per share is earnings per share before amortisation charges on acquired intangible assets, shared based payment charges and acquisition costs.



Introduction

I am very pleased to report on another excellent period of trading for the Group. As one of the UK's leading managed hosting and cloud services providers, organisations continue to choose iomart for the provision and management of their business critical platforms. We continue to build on the success of the previous period and to invest in the infrastructure and skills that will keep us at the forefront of the industry.

Our profitability at adjusted EBITDA level has grown by 51% in the period from £5.0m to £7.6m with both of our operating segments having contributed to this high level of profit growth. Our Hosting segment has continued to win substantial amounts of new and repeat business across all of our brands and the Easyspace segment has also contributed strongly.

Financial Performance

Revenue

Overall revenues from our operations grew 29% to £19.9m (H1 2012 £15.4m), with both of our operating segments contributing to the growth.

The Easyspace segment grew revenues by 13% to £5.3m (H1 2012 £4.7m) which was due to the impact of the acquisitions of Skymarket, Global Gold and the Switch Media Group.

Our Hosting segment grew revenues by 36% to £14.6m (H1 2012 £10.8m) mainly through the sustained addition of managed hosting contracts together with the contribution from the acquisitions of EQSN and Melbourne Server Hosting.

Gross Margin

The gross profit in the period, which is calculated by deducting from revenue variable cost of sales such as domain costs, power and sales commission and the relatively fixed costs of operating our datacentres, increased by 28% to £13.2m (H1 2012 £10.3m). This substantial increase in gross profit was a direct result of the contribution from the revenue growth delivered by both segments, including the impact of acquisitions. In percentage terms the gross margin was maintained at 67% with both segments delivering similar levels of percentage gross margins over the two periods.

Adjusted EBITDA

The Group's adjusted EBITDA grew by 51% to £7.6m (H1 2012 £5.0m) reflecting a significantly improved performance with both segments again contributing to the improvement. In percentage terms the adjusted EBITDA was 38% (H1 2012 32%) with both segments increasing their percentage margins.

Easyspace improved its adjusted EBITDA by 28% to £2.4m (H1 2012 £1.9m) and also its percentage margin to 45% from 40%. This substantial increase in the adjusted EBITDA is mainly due to the impact of acquisitions and the improvement in percentage margin is mainly due to cost savings, largely in headcount, achieved through the integration of the acquired operations into the segment.

Hosting improved its adjusted EBITDA by 51% to £6.6m (H1 2012 £4.4m) and also its percentage margin to 45% from 40%. This significant improvement in adjusted EBITDA is largely due to the additional gross margin contribution arising from our sales growth and also to the contribution from acquisitions. We continue to add to our staffing levels, particularly in sales and marketing and technical roles as we put in place the structure to allow us to continue to grow whilst providing the level of service which our customers expect. This has led to an increase in administrative expenses although not at the same pace as our revenue increase and thus we have enjoyed a substantial increase in our percentage EBITDA margin over the previous period.

Group overheads, which are not allocated to segments, include the cost of the Board, all the running costs of the headquarters in Glasgow, and Group led functions such as human resources, marketing, finance and design. Group overheads increased slightly in the period to £1.3m (H1 2012 £1.2m).

Adjusted profit before tax

Depreciation charges of £2.2m (H1 2012 £1.8m) have increased as we depreciate the equipment purchased to provide services to our new customers and as a consequence of depreciation charges from acquisitions. The charge for the amortisation of intangible assets, excluding amortisation of intangible assets resulting from acquisitions (“amortisation of acquired intangible assets”) has increased to £0.3m (H1 2012 £0.2m).

Net finance costs in the period were £0.2m (H1 2012 £0.1m) as we reflect the costs of the additional loan facilities obtained during the period and the actual usage of these facilities to fund acquisitions.

After deducting the charges for depreciation, amortisation, excluding the amortisation of acquired intangible assets, and finance costs from the adjusted EBITDA the adjusted profits for the period before tax increased by 66% to £4.9m (H1 2012 £3.0m).

Profit before tax

The measure of adjusted profit before tax is a non-statutory measure which is commonly used to analyse the performance of companies where M&A activity forms a significant part of their activities.

A reconciliation of adjusted profit before tax to reported profit before tax is shown below:

Reconciliation of adjusted profit before tax to profit before tax	**6 months to 30/09/2012**	**6 months to 30/09/2011**	**Year to 31/03/2012**
Adjusted profit before tax	4,886	2,951	6,854
Less: Amortisation of acquired intangible assets	(487)	(262)	(604)
Less: Acquisition costs	(196)	(223)	(304)
Less: Share based payments	(83)	(84)	(104)
Profit before tax	**4,120**	**2,382**	**5,842**

The adjusting items are: share based payment charges in the period which are unaltered at £0.1m (H1 2012 £0.1m); costs of £0.2m (H1 2012 £0.2m) as a result of acquisitions; and charges for the amortisation of acquired intangible assets of £0.5m (H1 2012 £0.3m) which have increased as a result of the acquisitions made in the period and a full period effect of acquisitions made in previous periods.

After deducting the charges for share based payments, the amortisation of acquired intangible assets and acquisition costs from the adjusted profit before tax, the reported profit before tax increased by 73% to £4.1m (H1 2012 £2.4m).

Profit for the period from total operations

We have now fully recognised the tax losses available to the Group and as a result there is a tax charge in the period of £1.1m (H1 2012 £0.2m), which comprises a current taxation charge of £0.5m (H1 2012 £0.1m), including an adjustment of £0.1m relating to prior period tax charges, and a deferred taxation charge of £0.6m (H1 2012 £0.1m). This results in a profit for the period from total operations of £3.0m (H1 2012 £2.2m) an increase of 37%.

Earnings per share

Adjusted 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 and acquisition costs and the tax effect of these items, was 3.61p (H1 2012 2.74p) an increase of 32%.

The measure of adjusted earnings per share as described above is a non-statutory measure which is commonly used to analyse the performance of companies where M&A activity forms a significant part of their activities.

Basic earnings per share from continuing operations was 3.03p (H1 2012 2.23p) an increase of 36%.

The calculation of both adjusted earnings per share and basic earnings per share is included at note 3.

Acquisitions

In July 2012 the Company acquired Skymarket Limited for a maximum consideration of £1.4m of which £1.2m was paid during the period. In August 2012 the Company acquired Melbourne Server Hosting Limited for a total consideration of £6.7m of which £6.5m was paid during the period and £0.2m after the period end. In October 2012 the Company acquired Internet Engineering Limited for a maximum consideration of £1.5m of which £1.2m was paid at completion.

Cash flow

The Group generated cash from operations in the period of £6.4m (H1 2012 £4.1m). Expenditure on taxation in the period was £0.4m (H1 2012 £0.1) resulting in net cash flow from operating activities in the period of £6.0m (H1 2012 £4.0m). Net expenditure on investing activities of £10.0m (H1 2012 £3.1m) included payments of £1.2m to acquire Skymarket and £6.5m to acquire Melbourne Server Hosting in August 2012 and £0.2m in respect of the deferred consideration due from the acquisition of EQSN in November 2010. Expenditure of £2.1m (H1 2012 £1.4m, net of a related finance lease drawdown of £0.8m) was incurred on the acquisition of property, plant and equipment principally to provide services to our customers. There was net cash generated from financing activities of £3.4m (H1 2012 £0.8m) including a loan drawdown of £5.0m to finance the acquisition of Melbourne Server Hosting (H1 2012 £1.0m to finance the acquisition of Switch Media) and £0.3m (H1 2012 £0.5m) from the issue of shares as a result of the exercise of options by employees and a dividend payment of £0.9m (H1 2012 £nil). As a result cash and cash equivalent balances at the end of the period were £8.3m (H1 2012 £8.6m).

The net debt position of the Group at the end of the period was £2.6m (H1 2012 net cash of £3.5m).

Operational Review

Whilst all our activities involve the provision of managed hosting services we currently report in two segments.

Hosting

The hosting operation has performed well over the period. We are continuing to win business from new and existing customers providing a mix of managed hosted services, both physical and virtual as the trend to outsource to the cloud continues. Our order levels continue to grow and again we are benefitting from additional orders from our existing customers.

We were delighted to add Melbourne Server Hosting to the Group during the period. It provides an ideal platform for the Group to grow its operations in Manchester and the North West of England as well as providing the Group with additional datacentre capacity in that area.

We have also invested in deploying our own fibre ring around the UK with resilient connections to all of our datacentres. Not only does this add another competitive advantage to our vertically integrated cloud strategy, it also protects our future variable pricing around connectivity with the capability to scale quickly and cost effectively going forward.

To ensure continued supply of high quality datacentre space as we continue to grow we have signed a lease for 16,000 square feet of additional space adjacent to our existing datacentre operation in Maidenhead. We now intend to proceed with the fit out of that space to a high specification over the coming 12 months.

We are continuing to integrate our acquisitions to eliminate unsupported legacy and duplicate platforms and to ensure an efficient delivery mechanism to customers. This has seen continued success and improved profitability across the board.

All of this activity contributed to an increase in the Hosting segment revenue of 36% to £14.6m (H1 2012 £10.8m).

Easyspace

The period was characterised by the impact of acquisitions within the Easyspace segment. As well as a full period effect of Switch Media and Global Gold which were acquired in previous periods, we also added Skymarket into the segment during the period and Internet Engineering Limited (which trades as HostingUK) after the period end.

The impact of these, together with the transfer of some of the operations previously included within the Hosting segment, is to increase both revenue and profitability, in both absolute and relative terms, substantially over the period. This is especially true in adjusted EBITDA terms where the margin during the period has increased to 45% compared to 40% for the same period in the previous financial year.

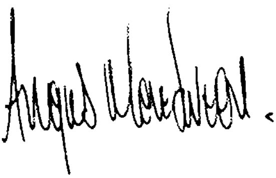
As a consequence of our activities in the period the Easyspace segment revenue has increased by 13% to £5.3m (H1 2012 £4.7m).

Current trading and outlook

Trading in the second half of the year has begun well as the trend to outsource more and more services and infrastructure into the cloud accelerates.

We continue to invest in our skills, product sets and infrastructure to deliver an increasing range and depth of cloud services and expect to continue the growth we have recently enjoyed.

We look forward with confidence.



Angus MacSween
CEO
27 November 2012

We're adding another 16,000 ft of capacity to our Maidenhead data centre to ensure continued supply of high quality data centre space.

Consolidated Interim Income Statement of Comprehensive Income. Six months ended 30 September 2012

	Note	Unaudited 6 months to 30/09/2012 £'000	Unaudited 6 months to 30/09/2011 £'000	Audited Year to 31/03/2012 £'000
Revenue		19,896	15,428	33,476
Cost of sales		(6,657)	(5,110)	(11,094)
Gross profit		**13,239**	**10,318**	**22,382**
Administrative expenses		(8,897)	(7,843)	(16,358)
Operating profit		**4,342**	**2,475**	**6,024**
Analysed as:				
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payments		**7,588**	**5,009**	**11,186**
Share based payments		(83)	(84)	(104)
Acquisition costs	4	(196)	(223)	(304)
Depreciation		(2,229)	(1,753)	(3,698)
Amortisation – acquired intangible assets		(487)	(262)	(604)
Amortisation – other intangible assets		(251)	(212)	(452)
Finance income		39	12	70
Finance costs		(261)	(105)	(252)
Profit before taxation		**4,120**	**2,382**	**5,842**
Taxation	5	(1,083)	(166)	356
Profit for the period from total operations		**3,037**	**2,216**	**6,198**
Other comprehensive income				
Currency translation differences		(9)	(5)	(10)
Other comprehensive expense for the period		**(9)**	**(5)**	**(10)**
Total comprehensive income for the period		**3,028**	**2,211**	**6,188**
Attributable to equity holders of the parent		**3,028**	**2,211**	**6,188**
Basic and diluted earnings per share				
Total operations				
Basic earnings per share	3	3.03 p	2.23 p	6.22 p
Diluted earnings per share	3	2.91 p	2.17 p	6.03 p

Consolidated Interim Statement of Financial Position. As at 30 September 2012

	Notes	Unaudited 30/09/2012 £'000	Unaudited 30/09/2011 £'000	Audited 31/03/2012 £'000
ASSETS				
Non-current assets				
Intangible assets – goodwill	6	30,663	25,147	27,544
Intangible assets – other	6	8,176	2,179	3,033
Deferred tax asset		-	451	993
Lease deposit		2,416	2,416	2,416
Property, plant and equipment	7	16,758	15,287	15,626
		58,013	**45,480**	**49,612**
Current assets				
Cash and cash equivalents		8,309	8,611	8,935
Trade and other receivables		5,163	3,488	4,071
		13,472	**12,099**	**13,006**
Total assets		**71,485**	**57,579**	**62,618**
LIABILITIES				
Non-current liabilities				
Non-current borrowings		(4,720)	(970)	(1,211)
Non-current deferred tax liability		(686)	-	-
		(5,406)	**(970)**	**(1,211)**
Current liabilities				
Contingent consideration due on acquisitions	8	(426)	(225)	(246)
Trade and other payables		(11,073)	(10,340)	(10,592)
Current income tax liabilities		(542)	(338)	(255)
Current borrowings		(6,206)	(4,107)	(5,251)
Current deferred tax liability		(163)	-	-
		(18,410)	**(15,010)**	**(16,344)**
Total liabilities		**(23,816)**	**(15,980)**	**(17,555)**
Net assets		**47,669**	**41,599**	**45,063**
EQUITY				
Share capital		1,052	1,047	1,048
Own shares		(2,351)	(2,351)	(2,351)
Capital redemption reserve		1,200	1,200	1,200
Share premium		20,664	20,311	20,362
Foreign currency translation reserve		(19)	-	(10)
Retained earnings		27,123	21,392	24,814
Total equity		**47,669**	**41,599**	**45,063**

Consolidated Interim Statement of Cash Flows. Six months ended 30 September 2012

		Unaudited 6 months to 30/09/2012 £'000	Unaudited 6 months to 30/09/2011 £'000	Audited Year to 31/03/2012 £'000
Profit before tax		**4,120**	**2,382**	**5,842**
Finance costs – net		222	93	182
Depreciation		2,229	1,753	3,698
Amortisation		738	474	1,056
Share based payments		83	84	104
Exchange movements		(9)	(5)	(10)
Movement in deposits		-	(400)	(400)
Movement in trade receivables		(515)	(352)	(405)
Movement in trade payables		(513)	89	(487)
Cash flow from operations		**6,355**	**4,118**	**9,580**
Taxation paid		(363)	(70)	(585)
Net cash flow from operating activities		**5,992**	**4,048**	**8,995**
Cash flow from investing activities				
Purchase of property, plant and equipment		(2,067)	(1,375)	(2,397)
Capitalisation of development costs		(237)	(224)	(474)
Purchase of intangible assets – software		-	(63)	(89)
Payment for acquisition of subsidiary undertakings net of cash acquired	10	(7,342)	(899)	(3,873)
Repayment of borrowings on acquisition of business		(152)	-	-
Deferred consideration paid on prior period acquisitions	8	(246)	(600)	(600)
Interest received		54	12	31
Net cash used in investing activities		**(9,990)**	**(3,149)**	**(7,402)**
Cash flow from financing activities				
Issue of shares		306	460	512
Bank loans		9,000	1,000	2,000
Repayment of finance leases		(660)	(523)	(1,164)
Repayment of borrowings		(4,000)	-	-
Interest paid		(370)	(89)	(227)
Dividends paid		(904)	-	(643)
Net cash generated from financing activities		**3,372**	**848**	**478**
Net (decrease)/increase in cash and cash equivalents		**(626)**	**1,747**	**2,071**
Cash and cash equivalents at the beginning of the period		8,935	6,864	6,864
Cash and cash equivalents at the end of the period		**8,309**	**8,611**	**8,935**

Consolidated Interim Statement of Changes in Equity. Six months ended 30 September 2012

Changes in equity	Share capital £'000	Own shares JSOP £'000	Foreign currency translation reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2011	**1,038**	**(2,464)**	**-**	**1,200**	**19,977**	**19,153**	**38,904**
Profit in the period	-	-	-	-	-	2,216	**2,216**
Currency translation differences	-	-	(5)	-	-	-	**(5)**
Total comprehensive income	**-**	**-**	**(5)**	**-**	**-**	**2,216**	**2,211**
Share based payments	-	-	-	-	-	84	**84**
Deferred tax on share based payments	-	-	-	-	-	(60)	**(60)**
Issue of own shares from JSOP	-	113	-	-	-	4	**117**
Issue of new shares for option redemption	9	-	-	-	334	-	**343**
Total transactions with owners	**9**	**113**	**-**	**-**	**334**	**28**	**484**
Balance at 30 September 2011	**1,047**	**(2,351)**	**(5)**	**1,200**	**20,311**	**21,397**	**41,599**
Profit in the period	-	-	-	-	-	3,982	**3,982**
Currency translation differences	-	-	(5)	-	-	-	**(5)**
Total comprehensive income	**-**	**-**	**(5)**	**-**	**-**	**3,982**	**3,977**
Dividends	-	-	-	-	-	(643)	(643)
Share based payments	-	-	-	-	-	20	20
Deferred tax on share based payments	-	-	-	-	-	58	58
Issue of new shares for option redemption	1	-	-	-	51	-	52
Total transactions with owners	**1**	**-**	**-**	**-**	**51**	**(565)**	**(513)**
Balance at 31 March 2012	**1,048**	**(2,351)**	**(10)**	**1,200**	**20,362**	**24,814**	**45,063**
Profit in the period	-	-	-	-	-	3,037	3,037
Currency translation differences	-	-	(9)	-	-	-	(9)
Total comprehensive income	**-**	**-**	**(9)**	**-**	**-**	**3,037**	**3,028**
Dividends	-	-	-	-	-	(904)	(904)
Share based payments	-	-	-	-	-	83	83
Deferred tax on share based payments	-	-	-	-	-	93	93
Issue of new shares for option redemption	4	-	-	-	302	-	306
Total transactions with owners	**4**	**-**	**-**	**-**	**302**	**(728)**	**(422)**
Balance at 30 September 2012	**1,052**	**(2,351)**	**(19)**	**1,200**	**20,664**	**27,123**	**47,669**

1. Accounting policies

The financial information for the year ended 31 March 2012 set out in this half yearly report does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The figures for the year ended 31 March 2012 have been extracted from the Group financial statements for that year. Those financial statements have been delivered to the Registrar of Companies and included an independent auditor's report, which was unqualified and did not contain a statement under section 493 of the Companies Act 2006.

The half yearly financial information has been prepared using the same accounting policies and estimation techniques as will be adopted in the Group financial statements for the year ending 31 March 2013. The Group financial statements for the year ended 31 March 2012 were prepared under International Financial Reporting Standards as adopted by the European Union. These half yearly financial statements have been prepared on a consistent basis and format with the Group financial statements for the year ended 31 March 2012. The provisions of IAS 34 'Interim Financial Reporting' have not been applied in full.

2. Operating segments

At the start of this interim period a restructuring of the Titan Internet business resulted in the transfer of its trades to different legal entities within the Group and this also altered the makeup of our operating segments. The impact of which was to increase Easyspace revenue and profits and decrease Hosting revenue and profits by a similar amount. The comparative figures for the period to September 2011 have been restated to reflect this change. Prior to the restatement, external revenue for the 6 months to 30 September 2011 was £4,171,000 for Easyspace and £11,257,000 for Hosting; external revenue for the 12 months to 31 March 2012 was £9,131,000 for Easyspace and £24,345,000 for Hosting; operating profit for the 6 months to 30 September 2011 was £1,540,000 for Easyspace and £2,440,000 for Hosting; and operating profit for the 12 months to 31 March 2012 was £3,250,000 for Easyspace and £5,693,000 for Hosting.

Revenue by Operating Segment

	6 months to 30/09/2012			Restated 6 months to 30/09/2011			Restated Year to 31/03/2012		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
Easyspace	5,293	-	5,293	4,667	-	4,667	10,171	-	10,171
Hosting	14,603	587	15,190	10,761	456	11,217	23,305	955	24,260
	19,896	**587**	**20,483**	**15,428**	**456**	**15,884**	**33,476**	**955**	**34,431**

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. All of the Group's revenue originates from the United Kingdom. No individual country other than the United Kingdom contributes a material amount of revenue therefore revenue from outside the United Kingdom has been shown as from Rest of the World.

Analysis of Revenue by Destination

	6 months to 30/09/2012 £'000	6 months to 30/09/2011 £'000	Year to 31/03/2012 £'000
United Kingdom	17,924	13,810	29,726
Rest of the World	1,972	1,618	3,750
Revenue from operations	**19,896**	**15,428**	**33,476**

2. Operating segments (continued)

Profit by Operating Segment

	6 months to 30/09/2012			6 months to 30/09/2011			Year to 31/03/2012		
	EBITDA before share based payments & acquisition costs	Share based payments, acquisition costs, depreciation & amortisation	Operating profit/(loss)	(Restated) EBITDA before share based payments & acquisition costs	(Restated) Share based payments, acquisition costs, depreciation & amortisation	(Restated) Operating profit/(loss)	(Restated) EBITDA before share based payments & acquisition costs	(Restated) Share based payments, acquisition costs, depreciation & amortisation	(Restated) Operating profit/(loss)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Easyspace	2,366	(184)	2,182	1,851	(101)	1,750	4,040	(350)	3,690
Hosting	6,560	(2,783)	3,777	4,356	(2,126)	2,230	9,657	(4,404)	5,253
Group overheads	(1,338)	-	(1,338)	(1,198)	-	(1,198)	(2,511)	-	(2,511)
Share based payments	-	(83)	(83)	-	(84)	(84)	-	(304)	(304)
Acquisition costs	-	(196)	(196)	-	(223)	(223)	-	(104)	(104)
	7,588	(3,246)	4,342	5,009	(2,534)	2,475	11,186	(5,162)	6,024
Group interest & tax			(1,305)			(259)			174
Profit for the period	**7,588**	**(3,246)**	**3,037**	**5,009**	**(2,534)**	**2,216**	**11,186**	**(5,162)**	**6,198**

Group overheads, share based payments, acquisition costs, interest and tax are not allocated to segments.

3. Earnings per share

The calculations of earnings per share are based on the following results and numbers:

Total Operations	**6 months to 30/09/2012**	**6 months to 30/09/2011**	**Year to 31/03/2012**
	£'000	**£'000**	**£'000**
Profit for the financial period and basic earnings attributed to ordinary shareholders	**3,037**	**2,216**	**6,198**
Weighted average number of ordinary shares:	**No 000**	**No 000**	**No 000**
Called up, allotted and fully paid at start of period	104,817	103,840	103,840
Shares held by Employee Benefit Trust	(4,750)	(4,914)	(4,832)
New shares issued during the period (weighted average)	319	327	623
Weighted average number of ordinary shares – basic	**100,386**	**99,253**	**99,631**
Dilutive impact of share options	939	793	780
Dilutive impact of JSOP shares	2,899	2,140	2,372
Weighted average number of ordinary shares – diluted	**104,224**	**102,186**	**102,783**
Basic earnings per share	3.03 p	2.23 p	6.22 p
Diluted earnings per share	2.91 p	2.17 p	6.03 p

Adjusted earnings per share	**6 months to 30/09/2012**	**6 months to 30/09/2011**	**Year to 31/03/2012**
	£'000	**£'000**	**£'000**
Profit for the financial period and basic earnings attributed to ordinary shareholders	3,037	2,216	6,198
Add: Amortisation of acquired intangible assets	487	262	604
Add: Acquisition costs	196	223	304
Add: Share based payments	83	84	104
Less: Tax impact of adjusted items	(184)	(68)	(247)
Adjusted profit for the financial period and adjusted basic earnings attributed to ordinary shareholders	**3,619**	**2,717**	**6,963**
Adjusted basic earnings per share	3.61 p	2.74 p	6.99 p
Adjusted diluted earnings per share	3.47 p	2.66 p	6.77 p

4. Acquisition costs

	6 months to 30/09/2012	**6 months to 30/09/2011**	**Year to 31/03/2012**
Professional fees	196	73	137
Integration costs	-	150	167
Total acquisition costs for the period	**196**	**223**	**304**

During the period costs of £196,000 (H1 2012 £73,000) were incurred in respect of professional fees on various acquisitions. In addition to these professional fees, one-off costs of £nil (H1 2012 £150,000) directly related to the integration of successful acquisitions into the Group were also incurred.

5. Taxation

	6 months to 30/09/2012 £'000	6 months to 30/09/2011 £'000	Year to 31/03/2012 £'000
Tax charge for the period	(375)	(155)	(249)
Adjustment relating to prior period	(134)	47	(134)
Total current taxation	(509)	(108)	(383)
Origination and reversal of temporary differences	(582)	(58)	770
Effect of changes in tax rates	8	-	(31)
Total deferred taxation (debit)/credit	(574)	(58)	739
Taxation (charge)/credit for the period	**(1,083)**	**(166)**	**356**

The Group has unused tax losses of £5.5m (H1 2012 £11.8m) available for offset against future profits. A deferred tax asset has been recognised in respect of all £5.5m (H1 2012 £5.4m) of these tax losses as they are expected to be used up by taxable profits by the end of the period covered by future projections.

6. Intangible assets

	Goodwill £'000	Development costs £'000	Customer relationships £'000	Software £'000	Beneficial contracts £'000	Domain names £'000	Total £'000
Cost:							
At 1 April 2011	23,952	1,111	1,919	491	-	31	27,504
Additions in the period	1,195	-	-	63	-	-	1,258
Acquisition of subsidiary	-	-	388	-	-	-	388
Development costs capitalised	-	224	-	-	-	-	224
At 30 September 2011	**25,147**	**1,335**	**2,307**	**554**	**-**	**31**	**29,374**
Additions in the period	2,397	-	-	26	-	-	2,423
Acquisition of subsidiary	-	-	1,160	-	-	-	1,160
Development costs capitalised	-	250	-	-	-	-	250
At 31 March 2012	**27,544**	**1,585**	**3,467**	**580**	**-**	**31**	**33,207**
Additions in the period	3,119	-	-	-	-	-	3,119
Acquisition of subsidiary	-	-	5,558	-	86	-	5,644
Development costs capitalised	-	237	-	-	-	-	237
At 30 September 2012	**30,663**	**1,822**	**9,025**	**580**	**86**	**31**	**42,207**
Accumulated amortisation:							
At 1 April 2011	-	(653)	(577)	(325)	-	(19)	(1,574)
Charge for the period	-	(159)	(262)	(48)	-	(5)	(474)
At 30 September 2011	**-**	**(812)**	**(839)**	**(373)**	**-**	**(24)**	**(2,048)**
Charge for the period	-	(176)	(342)	(59)	-	(5)	(582)
At 31 March 2012	**-**	**(988)**	**(1,181)**	**(432)**	**-**	**(29)**	**(2,630)**
Charge for the period	-	(196)	(486)	(53)	(1)	(2)	(738)
At 30 September 2012	**-**	**(1,184)**	**(1,667)**	**(485)**	**(1)**	**(31)**	**(3,368)**
Carrying amount:							
At 30 September 2012	**30,663**	**638**	**7,358**	**95**	**85**	**-**	**38,839**
At 31 March 2012	27,544	597	2,286	148	-	2	30,577
At 30 September 2011	25,147	523	1,468	181	-	7	27,326

7. Property, plant and equipment

	Freehold property £'000	Leasehold improve -ments £'000	Datacentre equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:							
At 1 April 2011	837	3,524	8,795	7,973	801	38	21,968
Additions in the period	-	66	529	1,606	8	-	2,209
Acquisition of subsidiary	-	-	-	24	19	-	43
At 30 September 2011	**837**	**3,590**	**9,324**	**9,603**	**828**	**38**	**24,220**
Additions in the period	-	8	408	1,509	9	-	1,934
Acquisition of subsidiary	-	26	-	335	(11)	-	350
Disposals in the period	-	-	-	-	-	-	-
At 31 March 2012	**837**	**3,624**	**9,732**	**11,447**	**826**	**38**	**26,504**
Additions in the period	-	-	84	1,969	14	-	2,067
Acquisition of subsidiary	-	51	154	764	325	-	1,294
Disposals in the period	-	-	-	-	-	(7)	(7)
At 30 September 2012	**837**	**3,675**	**9,970**	**14,180**	**1,165**	**31**	**29,858**
Accumulated depreciation:							
At 1 April 2011	(40)	(593)	(2,038)	(4,033)	(474)	(2)	(7,180)
Charge for the period	(9)	(103)	(374)	(1,215)	(44)	(8)	(1,753)
At 30 September 2011	**(49)**	**(696)**	**(2,412)**	**(5,248)**	**(518)**	**(10)**	**(8,933)**
Charge for the period	(10)	(125)	(419)	(1,346)	(36)	(9)	(1,945)
Disposals in the period	-	-	-	-	-	-	-
At 31 March 2012	**(59)**	**(821)**	**(2,831)**	**(6,594)**	**(554)**	**(19)**	**(10,878)**
Charge for the period	(10)	(123)	(378)	(1,645)	(54)	(19)	(2,229)
Disposals in the period	-	-	-	-	-	7	7
At 30 September 2012	**(69)**	**(944)**	**(3,209)**	**(8,239)**	**(608)**	**(31)**	**(13,100)**
Carrying amount:							
At 30 September 2012	**768**	**2,731**	**6,761**	**5,941**	**557**	**-**	**16,758**
At 31 March 2012	778	2,803	6,901	4,853	272	19	15,626
At 30 September 2011	788	2,894	6,912	4,355	310	28	15,287

8. Contingent consideration due on acquisitions

	30/09/2012 £'000	30/09/2011 £'000	31/03/2012 £'000
Contingent consideration due on acquisitions			
- Melbourne Server Hosting Limited	(194)	-	-
- Skymarket Limited	(232)	-	-
- EQSN Limited	-	-	(225)
- Global Gold Holdings Limited	-	-	(21)
- Switch Media Limited	-	(225)	-
Total contingent consideration due on acquisitions	**(426)**	**(225)**	**(246)**

On 29 May 2012, the final instalment of contingent consideration of £225,000 was paid in relation to the acquisition of EQSN Ltd and the final instalment of contingent consideration of £21,000 was paid in relation to the acquisition of Global Gold Holdings Ltd. On 26 October 2012, the final instalment of contingent consideration of £194,000 was paid in relation to the acquisition of Melbourne Server Hosting Ltd. The criteria for paying the contingent consideration of £426,000 due on the acquisitions of Melbourne Server Hosting Limited and Skymarket Limited are listed in Note 10. The payment of contingent consideration of £232,000 due on the acquisition of Skymarket Limited is expected to be completed within 12 months of the acquisition.

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

	Cash and cash equivalents £'000	Bank loans £'000	Finance leases and hire purchase £'000	Total £'000
At 1 April 2011	6,864	(2,000)	(1,766)	3,098
Inception of finance leases	-	-	(834)	(834)
New bank loans	-	(1,000)	-	(1,000)
Acquired on acquisition of subsidiary	126	-	-	126
Cash flow	1,621	-	523	2,144
At 30 September 2011	**8,611**	**(3,000)**	**(2,077)**	**3,534**
Inception of finance leases	-	-	(913)	(913)
New bank loans	-	(1,000)	-	(1,000)
Acquired on acquisition of subsidiary	227	-	(113)	114
Cash flow	97	-	641	738
At 31 March 2012	**8,935**	**(4,000)**	**(2,462)**	**2,473**
Repayment of bank loans	-	4,000	-	4,000
New bank loans	-	(9,000)	-	(9,000)
Impact of effective interest rate	-	108	-	108
Acquired on acquisition of subsidiary	331	-	(384)	(53)
Cash flow	(957)	-	812	(145)
At 30 September 2012	**8,309**	**(8,892)**	**(2,034)**	**(2,617)**

10. Acquisitions

Skymarket Limited
The Group acquired 100% of the issued share capital of Skymarket Limited (Skymarket) on 20 July 2012. This transaction has been accounted for by the acquisition method of accounting.

Skymarket provides hosting and domain registration services principally to SMEs and the acquisition is in line with the Group's strategy to grow its hosting operations both organically and by acquisition.

During the current period the Group incurred £66,000 of third party acquisition related costs in respect of this acquisition. These expenses are included in administrative expenses in the Group's consolidated statement of comprehensive income for the six months ended 30 September 2012.

The following table summarises the consideration to acquire Skymarket and the amounts of identified assets acquired and liabilities assumed at the acquisition date:

	£'000
Recognised amounts of net assets acquired and liabilities assumed:	
Cash and cash equivalents	258
Trade and other receivables	86
Property, plant and equipment	13
Intangible assets	461
Trade and other payables	(309)
Current income tax liabilities	(18)
Current deferred tax liability	(33)
Non-current deferred tax liability	(80)
Identifiable net assets	**378**
Goodwill	1,026
Total consideration	**1,404**

Satisfied by:	
Cash consideration - paid on acquisition	1,012
Contingent consideration – paid	160
Cash paid to date	1,172
Contingent consideration	232
Total consideration	**1,404**

The acquisition of Skymarket includes contingent consideration arrangements that require additional consideration to be paid dependent on the level of net working capital and cash held by the company at the acquisition date, together with a maximum of £232,000 to be paid subject to the successful migration and integration of the company's operations into the Group. The level of net working capital and cash held by the company at the acquisition date has been established and agreed with the vendors and an additional payment of £160,000 was made to the vendors prior to the period end. The migration and integration of the company's operations is still in progress and it is expected that the maximum value of the balance of the contingent consideration will be paid subsequent to the period end and therefore £232,000 has been accrued in respect of this contingent consideration.

The goodwill arising on the acquisition of Skymarket is attributable to the anticipated future operating synergies from the combination. The goodwill is not expected to be deductible for tax purposes.

The fair value of the assets acquired includes trade receivables of £13,000. The gross amount due under contracts is £15,000 and value of trade receivables against which there is a provision is £2,000.

The fair value included in respect of the acquired customer relationships intangible asset is £461,000, which has been determined on a provisional basis pending a final review.

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 post-tax discount rate of 11.4% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 5 years.

The name Skymarket Limited is not actively advertised or promoted, with the majority of Skymarket's business being generated from existing customers or by word of mouth. Skymarket has given a commitment to customers not to sell, distribute or lease information held regarding them without their permission. No value has therefore been attributed to either the trade name/brand or to the customer lists acquired at the acquisition date.

Skymarket earned revenue of £175,000 and generated profits before tax of £35,000 in the period since acquisition.

Melbourne Server Hosting Limited
The Group acquired 100% of the issued share capital of Melbourne Server Hosting Limited (Melbourne) on 15 August 2012. This transaction has been accounted for by the acquisition method of accounting.

Melbourne is a Manchester based provider of managed hosting solutions to over 600 customers. Melbourne operates its own datacentres in Manchester, providing the group with additional datacentre capacity. As well as the addition of spare capacity, this fills a geographical gap in the iomart datacentre estate and provides a sales platform to address the North of England market. The acquisition is in line with the Group's strategy to grow its hosting operations both organically and by acquisition.

During the current period the Group incurred £79,000 of third party acquisition related costs in respect of this acquisition. These expenses are included in administrative expenses in the Group's consolidated statement of comprehensive income for the six months ended 30 September 2012.

The following table summarises the consideration to acquire Melbourne and the amounts of identified assets acquired and liabilities assumed at the acquisition date:

	£'000
Recognised amounts of net assets acquired and liabilities assumed:	
Cash and cash equivalents	73
Trade and other receivables	507
Property, plant and equipment	1,281
Intangible assets	5,183
Trade and other payables	(683)
Current income tax liabilities	(129)
Current borrowings	(302)
Non-current borrowings	(82)
Current deferred tax liability	(200)
Non-current deferred tax liability	(1,047)
Identifiable net assets	**4,601**
Goodwill	2,093
Total consideration	**6,694**
Satisfied by:	
Cash	6,500
Contingent consideration	194
Total consideration	**6,694**

The acquisition of Melbourne includes contingent consideration arrangements that required additional consideration of up to £500,000 to be paid by the Group to the vendors contingent on the successful integration of the operations of Melbourne into the Group and on the amount of net debt and working capital of Melbourne at completion. The integration of the operations of Melbourne into the Group has been successfully completed and the levels of working capital and net debt at the date of acquisition have now been quantified and agreed with the vendors at an amount of £306,000 payable by the vendors. Consequently the agreed amount of net contingent consideration which has been paid subsequent to the period end was £194,000 and therefore £194,000 has been accrued in respect of this contingent consideration.

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

The fair value of the assets acquired includes trade receivables of £349,000. The gross amount due under contracts is £357,000 and value of trade receivables against which there is a provision is £8,000.

The fair value included in respect of the acquired customer relationships intangible asset is £5,097,000, which has been determined on a provisional basis pending a final review.

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 post-tax discount rate of 11.4% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 8 years.

The name Melbourne is not actively advertised or promoted, with the majority of Melbourne's business being generated from existing customers or by word of mouth. Melbourne has given a commitment to customers not to use for any purpose, other than the service agreement, any confidential information received from the customer. No value has therefore been attributed to either the trade name/brand or to the customer lists acquired at the acquisition date.

Melbourne earned revenue of £497,000 and generated profits before tax of £22,000 in the period since acquisition.

EQSN Limited and Global Gold Holdings Limited

The fair values of acquired assets and liabilities, including goodwill, previously disclosed as provisional for EQSN Limited and Global Gold Holdings Limited have been finalised in the current period with no changes to the fair values disclosed in the Annual Report and Accounts 2012.

11. Post Balance Sheet Event

On 1 October 2012, the Group acquired the entire issued share capital of Internet Engineering Limited for a total cash consideration of up to £1.5m. Of the total consideration of £1.5m, £1.2m was paid on completion and a further amount of up to £0.3m is payable subject to the level of net debt and working capital at the date of acquisition and to the successful integration of the operations of Internet Engineering Limited into the Group.

12. Availability of half yearly reports

Half yearly reports will be sent to all shareholders on 18 December 2012. Copies of the half yearly report will be available for collection from the offices of Peel Hunt LLP, 120 London Wall, London, EC2Y 5ET, for a period of one month from the date of despatch and in accordance with Rules 20 and 26 of the AIM Rules, available from the company's website at www.iomart.com.

Introduction

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 30 September 2012 which comprises the consolidated interim statement of comprehensive income, the consolidated interim statement of financial position, the consolidated interim statement of cash flows, the consolidated interim statement of changes in equity and the related notes 1 to 12 set out on pages 7 to 19. We have read the other information contained in the half yearly financial report which comprises only the interim results announcement and the chief executive's statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial information.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

Directors' Responsibilities

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

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The financial information in the half-yearly financial report has been prepared in accordance with the basis of preparation in Note 1.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 30 September 2012 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

GRANT THORNTON UK LLP
REGISTERED AUDITOR, CHARTERED ACCOUNTANTS
Glasgow

26 November 2012

Group Contact Information

iomart Group
☎ : +44 (0)141 931 6400
🖂 : info@iomart.com
www.iomart.com

iomart hosting
🖂 : info@iomarthosting.com
www.iomarthosting.com

Easyspace
🖂 : sales@easyspace.com
www.easyspace.com

Rapidswitch
🖂 : sales@rapidswitch.com
www.rapidswitch.com

iomartcloud
🖂 : info@iomartcloud.com
www.iomartcloud.com

Mebourne
🖂 : inbox@melbourne.co.uk
www.melbourne.co.uk

Printed by CCB, FSC certified colour printers.This report is printed on Elimental Chlorine Free (ECF) paper, from sustainable managed forests.

iomart Group plc, Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow, G20 0SP.
www.iomart.com