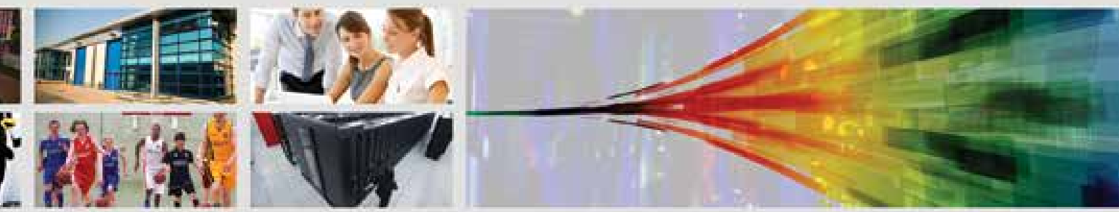
iomart



Consolidated Half Yearly Results 2013

6 months ended 30 September 2013

A £6m investment in fitting out a new data centre in Maidenhead will see an additional 600 racks of capacity, becoming available in early 2014. Giving the Group a total of 3,200 racks.

Highlights

iomart (AIM:IOM), the cloud computing company, is pleased to report its consolidated half yearly results for the period ended 30 September 2013.

FINANCIAL HIGHLIGHTS

- Revenue growth of 23% to £24.6m (H1 2013: £19.9m)
- Adjusted EBITDA[1] growth of 29% to £9.8m (H1 2013: £7.6m)
- Adjusted profit before tax[2] growth of 29% to £6.3m (H1 2013: £4.9m)
- Adjusted basic earnings per share[3] from operations increased by 35% to 4.89p (H1 2013: 3.61p)
- Cashflow from operations increased by 43% to £9.1m (H1 2013: £6.4m)
- Adjusted EBITDA[1] margins increased to 40% (H1 2013: 38%)

OPERATIONAL HIGHLIGHTS

- Increased European footprint and dedicated server expertise through the acquisition of Redstation Limited for a maximum consideration of £8.1m
- Acquired major presence in the Cloud backup and disaster recovery market through the acquisition of Backup Technology Holdings Limited for a total consideration of £23.0m
- Continued progress on the fit out of additional 600 racks of datacentre space in Maidenhead

Revenue Growth
23% to £24.6M

EBITDA Growth
29% to £9.8M

PBT Growth
29% to £6.3M

Cashflow Increased
43% to £9.1M

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 6% to £4.4m (H1 2013: £4.1m)*
- *Basic earnings per share from operations increased by 12% to 3.39p (H1 2013: 3.03p)*

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, share based payment charges, mark to mark adjustments in respect of interest rate swaps, the accelerated write off of arrangement fees on the bank borrowing facility which was repaid early in the period and acquisition costs.*
3 *Throughout this statement adjusted earnings per share is earnings per share before amortisation charges on acquired intangible assets, share based payment charges, mark to market adjustments in respect of interest rate swaps, the accelerated write off of arrangement fees on the bank borrowing facility which was repaid early in the period and acquisition costs, including the taxation effect of these.*

Introduction

Once again we have enjoyed another very good period of trading for the Group. Not only have we continued to grow organically but we have also enhanced that organic growth with the addition of two significant acquisitions during the period. We continue to build on the success of previous periods and to invest in the infrastructure and skills to ensure our ongoing success in the marketplace.

Our profitability at adjusted EBITDA level has grown by 29% in the period from £7.6m to £9.8m. Indeed in the three year period since September 2010 our adjusted EBITDA has increased by 361% from £2.7m to £9.8m again emphasising the growth we have consistently delivered over the last few years. Both of our operating segments have contributed to the high level of profit growth in the current period. Our Hosting segment has continued to win new and repeat business across all of our brands and our Easyspace segment has also performed well.

We were delighted that Bank of Scotland again supported our acquisition strategy with the provision of new debt facilities which enabled us to complete the purchases of Backup Technology Holdings Limited ("BTL") and Redstation Limited ("Redstation"). The continued support of Bank of Scotland in this way is further confirmation of the strength of our Group. As a result of these acquisitions the net debt of the Group increased substantially over the period to £23.5m (H1 2013: £2.6m). This represents a multiple of around one times adjusted EBITDA which we believe is a very comfortable level of debt to carry and through the generation of cash flow from trading we would expect the level of net debt to have reduced substantially by March 2015.

Operational Review

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

Cloud Hosting

The Cloud Hosting operation continues to perform strongly and our position in the market continues to be the envy of many of our competitors.

There is no 'one size fits all' cloud company. There is a level of complexity and myriad of different requirements that makes that impossible. iomart has positioned itself at the bespoke end of the market where we believe there is a long term opportunity to build a business that caters to the needs of the corporate market who require meaningful Service Level Agreements (SLA), a consultative relationship, flexibility and agility, great customer service, data integrity and ring-fenced highly available infrastructure.

Having invested in our own infrastructure around datacentres, network, compute and skills we are able to address this market.

This market opportunity remains large and long term. We are still at the beginning of the shift into the cloud outsourcing business model but there is little doubt about its long term adoption by most organisations. No organisation moves wholesale to the cloud but on a project by project basis depending on business needs and technology refreshments as they arise. Consequently this market, which we describe as a 'dripping roast' opportunity, still has a long long way to go.

We have made two significant acquisitions in the period. The first was Redstation which principally offers dedicated servers and therefore complements our current dedicated server operation which trades under the RapidSwitch banner. The combination of both of these operations positions us well within that area of the market. In particular both operations have limited geographical overlap and we have therefore increased our European footprint substantially through the acquisition.

Secondly we have acquired a major presence in the cloud backup and disaster recovery market through the acquisition of BTL. We believe the cloud backup and disaster recovery market is in its very formative stages and presents an attractive opportunity for continued growth into the future. BTL has established an excellent presence in this nascent market, with a first class customer base and highly skilled and experienced staff.

Both of these acquisitions have performed in line with expectations since acquisition and will largely continue to operate on a standalone basis with minimum operational integration other than using the common infrastructure of the Group going forward.

The fit out of an expanded datacentre facility in our Maidenhead premises has progressed very well over the period and we expect the unit to become fully operational early in the next calendar year.

All of this activity, together with a full period contribution from acquisitions made in the previous period resulted in an increase in the Hosting segment revenue of 31% to £19.1m (H1 2013: £14.6m).

Easyspace

Easyspace has performed well over the period.

We have chosen not to put our marketing expenditure into competing for low margin domain business but we are looking to target the reseller market with a re-launch of a range of competitive products and services over the coming months. We have also been preparing for the introduction of the new top level domain suffixes which we do not expect to have any impact until the next financial year.

The operation of Open Minded which we acquired in September has been added into the segment although its figures are insignificant to the Group.

Whilst a diminishing part of the Group overall as our growth continues Easyspace delivers extremely strong cashflows and profits to the Group.

As a consequence of our activities in the period together with a full period contribution from acquisitions made in previous periods the Easyspace segment revenue has increased by 3% to £5.5m (H1 2013: £5.3m).

Financial Performance

Revenue

Overall revenues from our operations grew 23% to £24.6m (H1 2013: £19.9m), with both of our operating segments contributing to the growth.

Our Hosting segment grew revenues by 31% to £19.1m (H1 2013: £14.6m) partly organically and also through the contribution from the acquisition of Redstation in the period and from the contribution of Melbourne which we acquired in August 2012 for the full six month period.

The Easyspace segment grew revenues by 3% to £5.5m (H1 2013: £5.3m) which was entirely due to the impact of acquisitions in previous periods.

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 26% to £16.7m (H1 2013: £13.2m). 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 increased from 67% to 68% with the Hosting segment being responsible for the improvement in the percentage margin.

Adjusted EBITDA

The Group's adjusted EBITDA grew by 29% to £9.8m (H1 2013: £7.6m) reflecting a significantly improved performance with both segments contributing to the improvement although the vast majority of the improvement was delivered by the Hosting segment. In percentage terms the adjusted EBITDA margin increased to 40% (H1 2013: 38%) due to an improved margin in the Hosting segment and a reasonably static level of Group overheads.

Hosting improved its adjusted EBITDA by 33% to £8.7m (H1 2013: £6.6m) and also its percentage margin to 46% from 45%. The continued improvement in adjusted EBITDA is largely due to the additional gross margin contribution arising from our sales growth. 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 our customers expect. That investment together with the impact of acquisitions has led to an increase in administrative expenses over the previous period.

Easyspace improved its adjusted EBITDA to £2.42m (H1 2013: £2.37m) whilst its percentage margin of 44.3% has remained around the same level as the previous period (H1 2013: 44.7%). The increase in the absolute level of adjusted EBITDA is a direct result of the impact of acquisitions and the adjusted EBITDA percentage margin has been modestly adversely affected by the impact of acquisitions.

Group overheads, which are not allocated to segments, include the cost of the Board, all the running costs of the headquarters in Glasgow, and Group led functions such as human resources, marketing, finance and design. Group overheads of £1.4m have remained relatively static in the period (H1 2013: £1.3m).

Adjusted profit before tax

Depreciation charges of £2.9m (H1 2013: £2.2m) have increased as we depreciate the equipment purchased to provide services to our new customers and as a consequence of depreciation charges in the operations we acquired. The charge for the amortisation of intangible assets, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets") has remained static at £0.3m (H1 2013: £0.3m).

Net finance costs, excluding the accelerated write off of arrangement fees on the bank borrowing facility which was repaid early and the mark to market adjustment on an interest swap on one of the Company's loans, were £0.3m in the period (H1 2013: £0.2m) 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, excluding the accelerated write off of arrangement fees and the mark to market interest rate swap adjustment, from adjusted EBITDA the adjusted profits for the period before tax increased by 29% to £6.3m (H1 2013: £4.9m).

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 30/09/2013	6 months to 30/09/2012	Year to 31/03/2013
Adjusted profit before tax	6,313	4,886	10,668
Share based payments	(598)	(83)	(258)
Amortisation of acquired intangible assets	(862)	(487)	(1,302)
Acquisition costs	(351)	(196)	(364)
Accelerated write off of arrangement fees on early repayment of facilities	(153)	-	-
Mark to market adjustment on interest rate swap	21	-	(46)
Profit before tax	**4,370**	**4,120**	**8,698**

The adjusting items are: share based payment charges in the period which increased substantially to £0.6m (H1 2013: £0.1m) as a result of the issue of additional share options; costs of £0.4m (H1 2013: £0.2m) as a result of acquisitions; charges for the amortisation of acquired intangible assets of £0.9m (H1 2013: £0.5m) which have increased as a result of the acquisitions made in the period and a full period effect of acquisitions made in previous periods; finance charges of £0.2m (H1 2013: £nil) due to the accelerated release of arrangement fees on bank borrowing facilities which were repaid early during the period and a reduction in finance costs of £0.02m (H1 2013: £nil) in respect of mark to market adjustments relating to an interest rate swap on one of the Company's loans.

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 6% to £4.4m (H1 2013: £4.1m).

Profit for the period from total operations

There is a tax charge in the period of £0.8m (H1 2013: £1.1m), which comprises a current taxation charge of £1.2m (H1 2013: £0.5m), including £nil (H1 2013: £0.1m) relating to prior period tax charges, and a deferred taxation credit of £0.4m (H1 2013: charge £0.6m). This results in a profit for the period from total operations of £3.6m (H1 2013: £3.0m) an increase of 19%.

Earnings per share

Adjusted basic earnings per share, which is based on profit for the period attributed to ordinary shareholders before share based payment charges, amortisation of acquired intangible assets, the accelerated write off of arrangement fees on early repayment of bank facilities, the mark to market adjustment on an interest rate swap and acquisition costs and the tax effect of these items, was 4.89p (H1 2013: 3.61p) an increase of 35%.

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 3.39p (H1 2013: 3.03p) an increase of 12%.

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

Acquisitions

On 4 September 2013 the Company acquired Redstation for a maximum consideration of £8.1m; on a no cash no debt, normalised working capital basis. We made an initial payment of £2.0m in cash and £1.5m in shares to the vendors and repaid debt of £3.1m. There is a further contingent sum due of up to £1.5m related to the profitability of Redstation in the period to March 2014 and most of this sum is expected to be paid out. Further details of the amount expected to be paid out are given in note 12. An additional estimated sum of £0.2m in cash is due to the vendors to reflect the additional debt assumed, cash acquired and normalised working capital position of the company at completion.

On 30 September 2013 the Company acquired BTL for a maximum consideration of £23.0m; on a no cash no debt, normalised working capital basis. At completion, we made a payment of £14.9m in cash, plus another £1.1m in cash to reflect the additional debt assumed, cash acquired and normalised working capital position of the company at completion, thereby totalling a payment of £16.0m in cash and £3.5m in shares to the vendors. We also repaid debt of £2.6m. There is a further deferred sum due of £2.0m payable on 31 January 2014.

On 9 September 2013 the Company acquired the entire share capital of Open Minded Solutions Limited ("Open Minded") for a total consideration of £0.1m. Open Minded is a customer of Rapidswitch.

Cash flow

The Group generated cash from operations in the period of £9.1m (H1 2013: £6.4m). Expenditure on taxation in the period was £0.5m (H1 2013: £0.4m) resulting in net cash flow from operating activities in the period of £8.6m (H1 2013: £6.0m).

Expenditure on investing activities of £28.6m (H1 2013: £9.8m) included payments of £3.5m to acquire Redstation, £19.5m to acquire BTL and £0.1m to acquire Open Minded in September 2013 and £0.1m in respect of the contingent consideration due from the acquisition of Internet Engineering Limited in October 2012. We acquired cash balances of £1.4m (H1 2013: £0.3m) from the companies we bought in the period which has been netted off the expenditure on the acquisitions. Expenditure of £6.5m (H1 2013: £2.1m) was incurred on the acquisition of property, plant and equipment principally to fit out additional datacentre facilities and also to provide services to our customers.

There was net cash generated from financing activities of £20.0m (H1 2013: £3.2m). The Company's borrowing facilities were restructured in the period. We drew down bank loans of £37.5m (H1 2103 £9.0m) out of which we repaid existing facilities of £14.0m (H1 2013: £4.0m), including £5.0m which had been drawn down in the period to help finance the acquisition of Redstation, and the balance of £18.5m was used to help finance the acquisition of BTL (H1 2013: £5.0m used to finance the acquisition of Melbourne Server Hosting). We repaid £5.7m of borrowings in acquired businesses (H1 2013: £0.2m) of which £3.1m related to the acquisition of Redstation and £2.6m to the acquisition of BTL and £0.7m (H1 2103 £0.7m) of finance leases. We received £5.1m (H1 2013: £0.3m) from the issue of shares of which £5.0m was used to help fund the purchase of the acquisitions and the remainder as a result of the exercise of options by employees. We also made a dividend payment of £1.5m (H1 2013: £0.9m). As a result cash and cash equivalent balances at the end of the period were £11.4m (H1 2013: £8.3m).

Net Cash/Debt

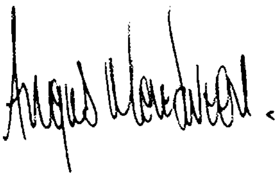
The net debt position of the Group at the end of the period was £23.5m (H1 2013: £2.6m). This represents a multiple of around one times adjusted EBITDA which we believe is a very comfortable level of debt to carry. The net debt position of the Group has changed substantially over the period largely due to the acquisition of Redstation and BTL and also partly due to the expenditure incurred on the fit out of additional data centre facilities in Maidenhead.

Current trading and outlook

Trading in the second half of the year has begun well and we continue to win business from new and existing customers. We remain confident of achieving another successful year of significant growth in line with the upgraded market expectations.

We also continue to invest in our people and infrastructure as we evolve and grow. This will ensure we are well positioned to take advantage of the still largely untapped corporate cloud market, and further fuel the growth we have enjoyed in recent years

With increased capacity, geographical presence and additional expertise in high growth cloud services we look forward with confidence.



Angus MacSween
CEO
9 December 2013

The £23m acquisation of Backup Technology Holdings gives the Group an expanded presence in the fast growing disaster recovery and back-up markets.

	Note	Unaudited 6 months to 30/09/2013 £'000	Unaudited 6 months to 30/09/2012 £'000	Audited Year to 31/03/2013 £'000
Revenue		24,551	19,896	43,059
Cost of sales		(7,821)	(6,657)	(14,131)
Gross profit		**16,730**	**13,239**	**28,928**
Administrative expenses		(11,906)	(8,897)	(19,768)
Operating profit		**4,824**	**4,342**	**9,160**
Analysed as:				
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payments		**9,768**	**7,588**	**16,505**
Share based payments		(598)	(83)	(258)
Acquisition costs	4	(351)	(196)	(364)
Depreciation		(2,878)	(2,229)	(4,909)
Amortisation – acquired intangible assets		(862)	(487)	(1,302)
Amortisation – other intangible assets		(255)	(251)	(512)
Finance income		32	39	87
Finance costs	5	(486)	(261)	(549)
Profit before taxation		**4,370**	**4,120**	**8,698**
Taxation	6	(818)	(1,083)	(1,749)
Profit for the period from total operations		**3,552**	**3,037**	**6,949**
Other comprehensive income				
Currency translation differences		3	(9)	9
Other comprehensive expense for the period		**3**	**(9)**	**9**
Total comprehensive income for the period		**3,555**	**3,028**	**6,958**
Attributable to equity holders of the parent		**3,555**	**3,028**	**6,958**
Basic and diluted earnings per share				
Total operations				
Basic earnings per share	3	3.39 p	3.03 p	6.91 p
Diluted earnings per share	3	3.37 p	2.91 p	6.63 p

		Unaudited 30/09/2013 £'000	Unaudited 30/09/2012 £'000	Audited 31/03/2013 £'000
ASSETS				
Non-current assets				
Intangible assets – goodwill	7	44,590	30,663	31,781
Intangible assets – other	7	21,821	8,176	8,028
Lease deposit		2,416	2,416	2,416
Property, plant and equipment	8	30,249	16,758	19,884
		99,076	58,013	62,109
Current assets				
Cash and cash equivalents		11,377	8,309	11,392
Trade and other receivables		7,662	5,163	5,761
		19,039	13,472	17,153
Total assets		118,115	71,485	79,262
LIABILITIES				
Non-current liabilities				
Non-current borrowings		(16,195)	(4,720)	(5,696)
Provisions for other liabilities and charges		(1,117)	-	(1,097)
Deferred tax liability		(2,928)	(849)	(468)
		(20,240)	(5,569)	(7,261)
Current liabilities				
Contingent consideration due on acquisitions	9	(1,432)	(426)	(358)
Deferred consideration due on acquisitions	10	(2,242)	-	-
Trade and other payables		(13,731)	(11,073)	(12,491)
Current income tax liabilities		(2,126)	(542)	(812)
Current borrowings		(18,673)	(6,206)	(6,124)
		(38,204)	(18,247)	(19,785)
Total liabilities		(58,444)	(23,816)	(27,046)
Net assets		59,671	47,669	52,216
EQUITY				
Share capital		1,078	1,052	1,058
Own shares		(576)	(2,351)	(576)
Capital redemption reserve		1,200	1,200	1,200
Share premium		26,036	20,664	20,936
Foreign currency translation reserve		2	(19)	(1)
Retained earnings		31,931	27,123	29,599
Total equity		59,671	47,669	52,216

	Note	Unaudited 6 months to 30/09/2013 £'000	Unaudited 6 months to 30/09/2012 £'000	Audited Year to 31/03/2013 £'000
Profit before tax		4,370	4,120	8,698
Finance costs – net		454	222	462
Depreciation		2,878	2,229	4,909
Amortisation		1,117	738	1,814
Share based payments		598	83	258
Exchange movements		3	(9)	9
Movement in trade receivables		352	(515)	(810)
Movement in trade payables		(696)	(513)	(550)
Cash flow from operations		9,076	6,355	14,790
Taxation paid		(520)	(363)	(1,200)
Net cash flow from operating activities		8,556	5,992	13,590
Cash flow from investing activities				
Purchase of property, plant and equipment		(6,511)	(2,067)	(4,093)
Capitalisation of development costs		(260)	(237)	(526)
Purchase of intangible assets – software		(18)	-	(20)
Payment for acquisition of subsidiary undertakings net of cash acquired		(21,775)	(7,342)	(8,796)
Contingent consideration paid on prior period acquisitions	9	(125)	(246)	(246)
Finance income received		70	54	68
Net cash used in investing activities		(28,619)	(9,838)	(13,613)
Cash flow from financing activities				
Issue of shares		5,120	306	584
Draw down of bank loans		37,500	9,000	9,000
Repayment of finance leases		(724)	(660)	(1,427)
Repayment of bank loans		(14,000)	(4,000)	(4,000)
Repayment of borrowings on acquisition of business		(5,731)	(152)	(152)
Finance costs paid		(634)	(370)	(621)
Dividends paid		(1,483)	(904)	(904)
Net cash generated from financing activities		20,048	3,220	2,480
Net (decrease)/increase in cash and cash equivalents		(15)	(626)	2,457
Cash and cash equivalents at the beginning of the period		11,392	8,935	8,935
Cash and cash equivalents at the end of the period		11,377	8,309	11,392

Changes in equity	Share capital £'000	Own shares JSOP £'000	Own shares EBT £'000	Own shares Treasury £'000	Foreign currency translation reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 April 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
Profit in the period	-	-	-	-	-	-	-	3,912	3,912
Currency translation differences	-	-	-	-	18	-	-	-	18
Total comprehensive income	-	-	-	-	18	-	-	3,912	3,930
Share based payments	-	-	-	-	-	-	-	175	175
Deferred tax on share based payments	-	-	-	-	-	-	-	164	164
Issue of own shares from JSOP	-	2,351	(70)	(506)	-	-	-	(1,775)	-
Issue of new shares for option redemption	6	-	-	-	-	-	272	-	278
Total transactions with owners	6	2,351	(70)	(506)	-	-	272	(1,436)	617
Balance at 31 March 2013	1,058	-	(70)	(506)	(1)	1,200	20,936	29,599	52,216
Profit in the period	-	-	-	-	-	-	-	3,552	3,552
Currency translation differences	-	-	-	-	3	-	-	-	3
Total comprehensive income	-	-	-	-	3	-	-	3,552	3,555
Dividends	-	-	-	-	-	-	-	(1,483)	(1,483)
Share based payments	-	-	-	-	-	-	-	598	598
Deferred tax on share based payments	-	-	-	-	-	-	-	(335)	(335)
Issue of new shares for option redemption	3	-	-	-	-	-	117	-	120
Issue of new shares for business acquisition	17	-	-	-	-	-	4,983	-	5,000
Total transactions with owners	20	-	-	-	-	-	5,100	(1,220)	3,900
Balance at 30 September 2013	1,078	-	(70)	(506)	2	1,200	26,036	31,931	59,671

1. Accounting policies

The financial information for the year ended 31 March 2013 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 2013 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 2014. The Group financial statements for the year ended 31 March 2013 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 2013. The provisions of IAS 34 'Interim Financial Reporting' have not been applied in full.

2. Operating segments

Revenue by Operating Segment

	6 months to 30/09/2013			6 months to 30/09/2012			Year to 31/03/2013		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
Easyspace	5,452	-	5,452	5,293	-	5,293	11,081	-	11,081
Hosting	19,099	464	19,563	14,603	587	15,190	31,978	1,052	33,030
	24,551	464	25,015	19,896	587	20,483	43,059	1,052	44,111

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 30/09/2013 £'000	6 months to 30/09/2012 £'000	Year to 31/03/2013 £'000
United Kingdom	21,832	17,924	39,190
Rest of the World	2,719	1,972	3,869
Revenue from operations	24,551	19,896	43,059

2. Operating segments (continued)

Profit by Operating Segment

	6 months to 30/09/2013			6 months to 30/09/2012			Year to 31/03/2013		
	EBITDA before share based payments & acquisition costs	Share based payments, acquisition costs, depreciation & amortisation	Operating profit/ (loss)	EBITDA before share based payments & acquisition costs	Share based payments, acquisition costs, depreciation & amortisation	Operating profit/ (loss)	EBITDA before share based payments & acquisition costs	Share based payments, acquisition costs, depreciation & amortisation	Operating profit/ (loss)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Easyspace	2,417	(309)	2,108	2,366	(184)	2,182	4,973	(550)	4,423
Hosting	8,735	(3,686)	5,049	6,560	(2,783)	3,777	14,289	(6,173)	8,116
Group overheads	(1,384)	-	(1,384)	(1,338)	-	(1,338)	(2,757)	-	(2,757)
Share based payments	-	(598)	(598)	-	(83)	(83)	-	(364)	(364)
Acquisition costs	-	(351)	(351)	-	(196)	(196)	-	(258)	(258)
	9,768	(4,944)	4,824	7,588	(3,246)	4,342	16,505	(7,345)	9,160
Group interest and tax			(1,272)			(1,305)			(2,211)
Profit for the period	9,768	(4,944)	3,552	7,588	(3,246)	3,037	16,505	(7,345)	6,949

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 30/09/2013	6 months to 30/09/2012	Year to 31/03/2013
	£'000	£'000	£'000
Profit for the financial period and basic earnings attributed to ordinary shareholders	3,552	3,037	6,949
	No	No	No
Weighted average number of ordinary shares:	000	000	000
Called up, allotted and fully paid at start of period	105,760	104,817	104,817
Own shares held in Treasury	(1,023)	-	(11)
Shares held by Employee Benefit Trust	(141)	(4,750)	(4,687)
New shares issued during the period (weighted average)	166	319	468
Weighted average number of ordinary shares – basic	104,762	100,386	100,587
Dilutive impact of share options	698	939	1,018
Dilutive impact of JSOP shares	-	2,899	3,200
Weighted average number of ordinary shares – diluted	105,460	104,224	104,805
Basic earnings per share	3.39 p	3.03 p	6.91 p
Diluted earnings per share	3.37 p	2.91 p	6.63 p

Adjusted earnings per share	6 months to 30/09/2013	6 months to 30/09/2012	Year to 31/03/2013
	£'000	£'000	£'000
Profit for the financial period and basic earnings attributed to ordinary shareholders	3,552	3,037	6,949
- Amortisation of acquired intangible assets	862	487	1,302
- Acquisition costs	351	196	364
- Share based payments	598	83	258
- Mark to market interest adjustment	(21)	-	46
- Accelerated finance cost due to refinancing	153	-	-
- Tax impact of adjusted items	(374)	(184)	(409)
Adjusted profit for the financial period and adjusted basic earnings attributed to ordinary shareholders	5,121	3,619	8,510
Adjusted basic earnings per share	4.89 p	3.61 p	8.46 p
Adjusted diluted earnings per share	4.86 p	3.47 p	8.12 p

4. Acquisition costs

	6 months to 30/09/2013 £'000	6 months to 30/09/2012 £'000	Year to 31/03/2013 £'000
Professional fees	351	196	220
Non-recurring integration costs	-	-	144
Total acquisition costs for the period	**351**	**196**	**364**

During the period costs of £351,000 (H1 2013: £196,000) were incurred in respect of professional fees on various acquisitions.

5. Finance costs

	6 months to 30/09/2013 £'000	6 months to 30/09/2012 £'000	Year to 31/03/2013 £'000
Bank loans	(224)	(139)	(288)
Finance leases	(110)	(75)	(194)
Other interest charges	(20)	-	(21)
Mark to market adjustment on interest rate swap	21	(47)	(46)
Accelerated write off of arrangement fees on early repayment of facilities	(153)	-	-
Finance costs for the period	**(486)**	**(261)**	**(549)**

6.Taxation

	6 months to 30/09/2013 £'000	6 months to 30/09/2012 £'000	Year to 31/03/2013 £'000
Tax charge for the period	(1,231)	(375)	(1,423)
Adjustment relating to prior periods	18	(134)	(121)
Total current taxation	(1,213)	(509)	(1,544)
Origination and reversal of temporary differences	295	(582)	(311)
Effect of changes in tax rates	100	8	106
Total deferred taxation credit/(charge)	395	(574)	(205)
Taxation charge for the period	**(818)**	**(1,083)**	**(1,749)**

The Group has unused tax losses of £4.2m (H1 2013: £5.5m) available for offset against future profits. A deferred tax asset has been recognised in respect of all £4.2m (H1 2013: £5.5m) 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.

7. Intangible assets

	Goodwill £'000	Development costs £'000	Customer relationships £'000	Software £'000	Beneficial contracts £'000	Domain names & IP addresses £'000	Total £'000
Cost:							
At 1 April 2012	27,544	1,585	3,467	580	-	31	33,207
Additions in the period	3,119	-	-	-	-	-	3,119
Acquisition of subsidiaries	-	-	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
Additions in the period	1,118	-	-	20	-	-	1,138
Acquisition of subsidiary	-	-	619	-	-	-	619
Development costs capitalised	-	289	-	-	-	-	289
At 31 March 2013	31,781	2,111	9,644	600	86	31	44,253
Additions in the period	12,809	-	-	18	-	-	12,827
Acquisition of subsidiaries	-	-	13,335	1,048	-	249	14,632
Development costs capitalised	-	260	-	-	-	-	260
At 30 September 2013	44,590	2,371	22,979	1,666	86	280	71,972
Accumulated amortisation:							
At 1 April 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)
Charge for the period	-	(212)	(811)	(49)	(4)	-	(1,076)
At 31 March 2013	-	(1,396)	(2,478)	(534)	(5)	(31)	(4,444)
Charge for the period	-	(228)	(858)	(24)	(4)	(3)	(1,117)
At 30 September 2013	-	(1,624)	(3,336)	(558)	(9)	(34)	(5,561)
Carrying amount:							
At 30 September 2013	44,590	747	19,643	1,108	77	246	66,411
At 31 March 2013	31,781	715	7,166	66	81	-	39,809
At 30 September 2012	30,663	638	7,358	95	85	-	38,839

8. Property, plant and equipment

	Freehold property £'000	Leasehold improve-ments £'000	Datacentre equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:							
At 1 April 2012	837	3,624	9,732	11,447	826	38	26,504
Additions in the period	-	-	84	1,969	14	-	2,067
Acquisition of subsidiaries	-	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
Additions in the period	-	1,505	1,050	3,022	70	12	5,659
Acquisition of subsidiary	-	-	-	131	16	-	147
Reclassification	-	-	195	(195)	-	-	-
At 31 March 2013	837	5,180	11,215	17,138	1,251	43	35,664
Additions in the period	-	4,242	140	1,958	101	-	6,441
Acquisition of subsidiaries	1,225	357	325	4,831	59	5	6,802
Disposals in the period	-	-	-	(138)	-	-	(138)
At 30 September 2013	2,062	9,779	11,680	23,789	1,411	48	48,769
Accumulated depreciation:							
At 1 April 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)
Charge for the period	(10)	(153)	(466)	(1,979)	(71)	(1)	(2,680)
At 31 March 2013	(79)	(1,097)	(3,675)	(10,218)	(679)	(32)	(15,780)
Charge for the period	(11)	(154)	(500)	(2,140)	(71)	(2)	(2,878)
Disposals in the period	-	-	-	138	-	-	138
At 30 September 2013	(90)	(1,251)	(4,175)	(12,220)	(750)	(34)	(18,520)
Carrying amount:							
At 30 September 2013	1,972	8,528	7,505	11,569	661	14	30,249
At 31 March 2013	758	4,083	7,540	6,920	572	11	19,884
At 30 September 2012	768	2,731	6,761	5,941	557	-	16,758

9. Contingent consideration due on acquisitions

	30/09/2013 £'000	30/09/2012 £'000	31/03/2013 £'000
Contingent consideration due on acquisitions			
- Redstation Limited	(1,200)	-	-
- Internet Engineering Limited	-	-	(126)
- Melbourne Server Hosting Limited	-	(194)	-
- Skymarket Limited	(232)	(232)	(232)
Total contingent consideration due on acquisitions	(1,432)	(426)	(358)

On 27 August 2013, the final instalment of the contingent consideration was paid in relation to the acquisition of Internet Engineering Limited. The criteria for paying the contingent consideration of £1,200,000 due on the acquisition of Redstation are listed in Note 12 and it is expected that this will be paid within 12 months of this balance sheet date. The payment of contingent consideration of £232,000 due on the acquisition of Skymarket Limited is subject to the successful migration and integration of the company's operations into the Group and is expected to be completed within 12 months of this balance sheet date.

10. Deferred consideration due on acquisitions

	30/09/2013 £'000	30/09/2012 £'000	31/03/2013 £'000
Deferred consideration due on acquisitions			
- Backup Technology Holdings Limited	(2,000)	-	-
- Redstation Limited	(242)	-	-
Total deferred consideration due on acquisitions	(2,242)	-	-

A final amount of £2,000,000 is due to be paid on 31 January 2014 in relation to the acquisition of BTL. In respect of the acquisition of Redstation, based on the balance sheet at the time of acquisition, an amount related to the level of cash and debt on a normalised working capital basis is to be calculated and the purchase price altered by that amount. The estimated effect of that is a payment to the vendors of £242,000 which we expect will be paid within 12 months of this balance sheet date.

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

	Cash and cash equivalents £'000	Bank loans £'000	Other loans £'000	Finance leases and hire purchase £'000	Total £'000
At 1 April 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	-	(152)	(232)	(53)
Cash flow	(957)	-	152	660	(145)
At 30 September 2012	**8,309**	**(8,892)**	**-**	**(2,034)**	**(2,617)**
Inception of finance leases	-	-	-	(1,705)	(1,705)
Impact of effective interest rate	-	44	-	-	44
Cash flow	3,083	-	-	767	3,850
At 31 March 2013	**11,392**	**(8,848)**	**-**	**(2,972)**	**(428)**
Repayment of bank loans	-	14,000	-	-	14,000
New bank loans	-	(37,500)	-	-	(37,500)
Impact of effective interest rate	-	186	-	-	186
Inception of finance leases	-	-	-	(120)	(120)
Acquired on acquisition of subsidiary	1,355	(4)	(5,731)	(334)	(4,714)
Cash flow	(1,370)	-	5,731	724	5,085
At 30 September 2013	**11,377**	**(32,166)**	**-**	**(2,702)**	**(23,491)**

12. Acquisitions

Redstation Limited

The Group acquired 100% of the issued share capital of Redstation Limited ("Redstation") on 4 September 2013.

Redstation is a Portsmouth based provider of dedicated servers to over 3,000 customers. Redstation owns and operates its own datacentres in Portsmouth, providing the Group with additional datacentre capacity. As well as the addition of datacentre facilities, this acquisition fills a geographical gap in the markets currently addressed by the Group. 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 £121,000 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 period ended 30 September 2013.

The following table summarises the consideration to acquire Redstation 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	456
Trade and other receivables	584
Property, plant and equipment	4,970
Intangible assets	2,896
Trade and other payables	(1,275)
Current income tax liabilities	(283)
Current borrowings	(83)
Non-current borrowings	(3,257)
Deferred tax liability	(292)
Identifiable net assets	3,716
Goodwill	1,184
Total consideration	**4,900**
Satisfied by:	
Cash – paid on acquisition	1,958
Shares issued	1,500
Contingent consideration - payable	1,200
Deferred consideration - payable	242
Total consideration transferred	**4,900**

The acquisition of Redstation includes contingent consideration arrangements that required additional consideration of up to £1,500,000 to be paid by the Company to the vendors, contingent on the level of profitability delivered by the operation in the period to 31 March 2014. We estimate that the amount of contingent consideration that will be paid will be £1,200,000 and that payment will be made within 12 months of this balance sheet date. In addition, a further amount currently estimated at £242,000 is due to the vendors in respect of the additional debt assumed, cash acquired and normalised working capital position of Redstation at completion. This is expected to be paid within 12 months of this balance sheet date.

The total consideration transferred to the vendors of £4,900,000 together with the debt repaid at completion of £3,162,000 resulted in an estimated total cost of acquisition of £8,062,000 including an amount of £242,000 in respect of the cash, additional debt and normalised working capital position of Redstation at completion.

Redstation earned revenue of £500,000 and generated profits before tax of £74,000 in the period since acquisition.

Backup Technology Holdings Limited

The Group acquired 100% of the issued share capital of Backup Technology Holdings Limited ("BTL") on 30 September 2013.

BTL is a Leeds based provider of cloud backup and disaster recovery services to over 200 customers. BTL provides the Group with a proven product, based on Asigra technology, for the cloud backup and recovery market and significantly enhances the Group's existing capability in that area. 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 £230,000 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 period ended 30 September 2013.

The following table summarises the consideration to acquire BTL 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	897
Trade and other receivables	1,704
Property, plant and equipment	1,832
Intangible assets	11,736
Trade and other payables	(836)
Current income tax liabilities	(329)
Current borrowings	(703)
Non-current borrowings	(2,022)
Deferred tax liability	(2,232)
Identifiable net assets	10,047
Goodwill	11,497
Total consideration	21,544
Satisfied by:	
Cash – paid on acquisition	16,044
Shares issued	3,500
Deferred consideration – payable	2,000
Total consideration transferred	21,544

The acquisition of BTL includes deferred consideration arrangements that require an additional consideration of £2,000,000 to be paid by the Group to the vendors on 31 January 2014.

The total consideration transferred to the vendors of £21,544,000 together with the debt repaid at completion of £2,569,000 resulted in a total cost of acquisition of £24,113,000, including an amount of £1,113,000 in respect of the cash, additional debt and normalised working capital position of BTL at completion.

As the acquisition was only concluded on 30 September 2013 BTL has no earnings applicable to the Group in the period since acquisition.

Internet Engineering Limited

The fair values of acquired assets and liabilities, including goodwill, previously disclosed as provisional for Internet Engineering Limited have been finalised in the current period with no changes to the fair values disclosed in the Annual Report and Accounts 2013.

13. Availability of half yearly reports

Half yearly reports will be sent to all shareholders on 14 January 2014. 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 2013 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 13 set out on pages 8 to 18. 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 statements.

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 financial information in the half-yearly report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

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

Our Responsibility

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and 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 2013 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
Glasgow

9 December 2013

The Group has continued to win major industry accolades and has been ranked as the No1 European Hosting Company in Top 100 Cloud Services Providers Report.

The acquisition of Backup Technology provides the group with a solid and well-established platform to further expand into the global storage market.

Image: Steven Gerrard of Liverpool FC one of a large number of enterprise customers served by Backup Technology.

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