iomart
100% Uptime

Consolidated Half Yearly Results 2010

6 months ended 30 September 2010

"Historically, pharmaceutical companies have been rather conservative about releasing information and intellectual property outside of site boundaries. In iomart Hosting we have a partner that addresses compliance needs, and allows us to structure our IT and support services in an organised, flexible, manner at a sensible cost."

Keith Williams, Director of netexperts

Consolidated Half Yearly Results
6 months ended 30 September 2010

Highlights

Financial

- Revenue up 36% to £11.4m (H1 2010: £8.4m)
- EBITDA[1] up 222% to £2.7m (H1 2010: £0.8m)
- Net cash at end of period of £5.3m (H1 2010: £4.5m)

Operational

- Acquisition of Titan Internet Limited for £4.2m in October 2010
- iomart Hosting customer base increased by over 50% with substantial increase in cloud solutions
- Rapidswitch adds virtualised dedicated server to product range
- Easyspace experiences improvement in customer retention and increase in average revenue per user
- Netintelligence receives prestigious award for successful delivery of Universal Home Access project

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[1] EBITDA means earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payments

£2.7M
EBITDA
PROFIT
Up 222%

36%
INCREASE
in Revenue

50%
INCREASE
in Managed
Hosting
Customers

£4.2M
Acquisition
of Titan
Internet
Post Period

Angus MacSween, Chief Executive Officer

Introduction

I am very pleased to report on another excellent period of trading for the Group. We are now becoming firmly established as one of the UK's leading managed hosting providers, with companies continuing to choose iomart for the provision of the business critical cloud and managed hosting services that they require.

The acquisition of high quality managed hosting companies is an important element of our strategy and we were delighted to have completed the purchase of Titan Internet Limited ("Titan") post the period end on 29 October 2010. Titan brings to the Group a very good customer base and an extremely competent workforce that provide a high level of managed hosting services to these customers.

The movement into profitability which we initially achieved in the first half of the last financial year and which we built on in the second half has continued during this period. Indeed EBITDA for this period of £2.7m (H1 2010 £0.8m) is almost at the level we achieved for the whole of the March 2010 financial year.

Both of our operating segments have contributed to this high level of profit growth. Our Hosting segment has continued to win substantial amounts of new business across all of our brands and the Easyspace segment has also contributed strongly.

Financial Performance

Revenues from our operations grew 36% to £11.4m (H1 2010 £8.4m), with strong contributions from both of our operating segments.

Easyspace grew revenues by 12% to £3.9m (H1 2010 £3.4m) over the period largely through an increase in the average revenue per customer and also through improved rates of customer retention.

Our Hosting segment grew revenues by 53% to £7.5m (H1 2010 £4.9m) through the sustained acquisition of managed hosting contracts by our main trading brands iomart Hosting, which services the needs of the corporate market, and Rapidswitch, which provides dedicated server solutions to the SME market.

The gross profit in the period, which is calculated by deducting variable cost of sales such as domain costs, power and sales commission and the relatively fixed costs of operating our datacentres, from revenue, was £6.8m (H1 2010 £4.4m). This substantial increase in gross profit was a direct result of the contribution from the revenue growth delivered by both segments. In percentage terms the gross margin improved to 60% (H1 2010 53%) with again both segments recording improved gross margin percentages in the period. In Easyspace this was due to the impact of increased revenue per customer and improved customer retention and in Hosting where, due to the fixed nature of some of the operating costs, the contribution from increased revenues improved the percentage margin.

The Group's EBITDA of £2.7m (H1 2010 £0.8m) reflects a vastly improved performance confirming the sustained move into recurring profitability which was achieved for the first time in H1 2010. Once again both segments contributed to this greatly improved performance.

Easyspace improved its EBITDA to £1.4m (H1 2010 £1.1m) and also its margin to 36% from 31%. This improvement is mainly due to the effect of the increased revenue per customer during the period and improved retention of customers.

Hosting improved its EBITDA to £2.4m (H1 2010 £0.8m) and also its margin to 32% from 17%. This significant improvement is largely due to the contribution made by the increased sales from both iomart Hosting and Rapidswitch together with the cost savings achieved in moving Rapidswitch customers to our own datacentre from rented datacentre space post acquisition. Over the period we have continued to incur additional expenditure on resources for the Hosting segment to provide the high level of service our growing customer base has come to expect, and to increase our sales force to further exploit the opportunities afforded by a growing market for these services.

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 resource, marketing, finance and design. Group overheads in the period remained unchanged at £1.1m (H1 2010 £1.1m).

Depreciation charges of £1.2m (H1 2010 £0.8m) have increased as we depreciate the equipment purchased to provide services to our new customers and also due to additional datacentre capacity being brought into play. The charge for the amortisation of intangible assets has increased to £0.3m (H1 2010 £0.2m) as we amortise the intangible assets acquired when Rapidswitch was purchased. The share based payment charge has decreased to £0.1m (H1 2010 £0.2m) as a result of both the lapsing of share options and share options issued in previous periods having been fully charged in the Income Statement. Under revised accounting standards it is no longer permissible to include the costs incurred during an acquisition as part of the overall cost of our balance sheet investment. Consequently, during the period the costs we incurred of £0.1m (H1 2010 £nil) in respect of legal and financial services on acquisition related activities have been charged to the income statement.

Finance income in the period of £0.2m (H1 2010 £0.1m) includes interest earned on the deferred consideration due to the Group from a disposal in a previous year which was received in the period and also interest due on a lease rental deposit. Finance costs of £0.1m (H1 2010 £nil) have increased as we make use of leases to fund the purchase of some of the capital equipment needed to provide services to new customers.

As a result the profit for the period before tax was £1.2m (H1 2010 £0.5m, including an exceptional net gain of £0.9m arising from the renegotiation of deferred consideration payable).

There is a small tax charge in the period of £0.1m (H1 2010 tax credit of £0.9m) resulting in a profit for the period from total operations of £1.0m (H1 2010 £1.4m, including an exceptional net gain of £0.9m arising from the renegotiation of deferred consideration payable and a tax credit of £0.9m).

The Group generated cash from operating activities in the period of £3.1m (H1 2010 £0.6m) which after net expenditure on investing activities of £1.3m (H1 2010 £8.6m) and net cash used in financing activities of £0.5m (H1 2010 £0.4m) resulted in a cash and cash equivalent balance at the end of the period of £7.1m (H1 2010 £5.5m).

The net cash position of the Group at the end of September was £5.3m (H1 2010 £4.5m).

After the end of the period the Group acquired the entire issued share capital of Titan for a total consideration of £4.2m of which £3.6m was paid on completion and a further amount of up to £0.6m is payable no earlier than 1 April 2011. At the request of the Group, £3m of the Group's £10m borrowing facility provided by Lloyds, has been made available to finance the acquisition and £2m has been drawn down. At the time of the acquisition, Titan had £0.5m of net cash.

Operational Review

Whilst all our activities involve the provision of managed hosting services we are organised into two segments.

Hosting

Our activities within the Hosting segment have all performed well over the period. We are seeing a continual shift towards the provision of cloud hosting solutions and we are responding to this market opportunity through the provision of a mix of virtual and physical solutions, with many customers selecting an element of both. We have won over 200 new orders in the period through our iomart Hosting division, which provides complex hosting solutions to the corporate market, many of which involve the provision of virtual solutions. As has been our experience in previous periods, a significant number of these orders were placed by existing customers and as ever we are grateful to these customers for the loyalty they continue to place in us as a provider of essential services.

Netintelligence, our provider of cloud security services, has enjoyed a very good period providing the internet security solution for the government sponsored Universal Home Access program through which school children in England and Wales have been provided with a fully enabled laptop. As well as being a commercial success the project has also been a technical success and it was very gratifying to be awarded the Security Project of the Year at the recent UK Computing Security Awards for the work undertaken on this project.

Rapidswitch, which provides dedicated server hosting services to the SME market, has continued to enjoy success over the period. The recent launch of a range of virtual dedicated servers within our product range has been met with an encouraging level of enthusiasm by the marketplace.

We continued our programme of datacentre fit out with the commencement of a further phase of fit out in our Maidenhead datacentre. This will provide an additional 7,000 square feet of datacentre space by the end of this financial year.

All of this activity contributed to an increase in the Hosting segment revenue of 53% to £7.5m (H1 2010 £4.9m) over the prior period.

Easyspace

The Easyspace segment, which provides a range of products and services to the micro and SME market, has enjoyed growth over the period with revenues increasing by 12% to £3.9m (H1 2010 £3.4m). We have seen an increase in the overall number of customers, the average revenue per customer and customer renewal rates over the period all of which have helped to drive the increase in revenues.

Current trading and outlook

Trading in the second half is progressing well with our pipeline of new business continuing to strengthen.

The fundamental shift from companies buying technology and managing it in-house to outsourcing it as a flexible service from strong, trusted suppliers is in its infancy. We are in a market set to grow significantly over the next few years and with a strong asset base and the expertise to deliver a complex set of cloud services, we expect to continue the growth we have enjoyed recently.

We look forward with confidence.

"Internet security was a key issue for us because if you give a child a laptop to take home then the responsibility does not end when that child walks out of the school gates. Netintelligence has been a real success."

Bill Pattison, Project Leader for ICT services, Durham County Council

2010 Computing Security Awards

WINNER

Security Project of the Year

Consolidated Interim Income Statement of Comprehensive Income. Six months ended 30 September 2010

	Note	**Unaudited 6 months to 30/09/10 £'000**	**Unaudited 6 months to 30/09/09 £'000**	**Audited Year to 31/03/10 £'000**
Revenue		11,378	8,361	18,327
Cost of sales		(4,571)	(3,915)	(7,830)
Gross profit		**6,807**	**4,446**	**10,497**
Administrative expenses		(5,743)	(4,830)	(10,119)
Operating profit/(loss)		**1,064**	**(384)**	**378**
Analysed as:				
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payments		**2,707**	**840**	**3,112**
Share based payments		(117)	(186)	(379)
Acquisition costs		(60)	-	-
Depreciation		(1,174)	(819)	(1,846)
Amortisation		(292)	(219)	(509)
Gain on reduction of deferred consideration on business combination		-	1,000	1,000
Associated costs on gain on reduction of deferred consideration		-	(135)	(135)
Finance income	4	185	60	77
Finance costs	4	(94)	(24)	(66)
Profit before taxation		**1,155**	**517**	**1,254**
Taxation	5	(120)	852	816
Profit for the period from total operations		**1,035**	**1,369**	**2,070**
Total comprehensive income for the period		**1,035**	**1,369**	**2,070**
Attributable to equity holders of the parent		**1,035**	**1,369**	**2,070**
Basic and diluted earnings per share				
Total operations				
Basic earnings per share	3	1.03 p	1.37 p	2.12 p
Diluted earnings per share	3	1.02 p	1.37 p	2.12 p

Consolidated Interim Statement of Financial Position. As at 30 September 2010

	Note	Unaudited 30/09/2010 £'000	Unaudited 30/09/2009 £'000	Audited 31/03/2010 £'000
ASSETS				
Non-current assets				
Intangible assets – goodwill		20,723	20,713	20,723
Intangible assets – other		1,072	1,124	1,008
Deferred tax asset		612	648	604
Lease deposit		1,616	884	1,216
Property, plant and equipment	6	12,890	11,736	12,276
		36,913	**35,105**	**35,827**
Current assets				
Cash and cash equivalents		7,073	5,458	5,715
Deferred consideration receivable on disposal	7	-	914	914
Trade and other receivables		3,235	2,659	2,937
		10,308	**9,031**	**9,566**
Total assets		**47,221**	**44,136**	**45,393**
LIABILITIES				
Non-current liabilities				
Non-current borrowings		(1,096)	(177)	(834)
		(1,096)	**(177)**	**(834)**
Current liabilities				
Deferred consideration due on acquisitions	8	-	(2,350)	(1,000)
Trade and other payables		(8,712)	(6,137)	(7,489)
Current borrowings		(722)	(776)	(480)
		(9,434)	**(9,263)**	**(8,969)**
Total liabilities		**(10,530)**	**(9,440)**	**(9,803)**
Net assets		**36,691**	**34,696**	**35,590**
EQUITY				
Share capital		1,035	1,002	1,028
Own shares		(2,464)	(637)	(2,464)
Capital redemption reserve		1,200	1,200	1,200
Share premium		19,847	17,583	19,514
Retained earnings		17,073	15,548	16,312
Total equity		**36,691**	**34,696**	**35,590**

Consolidated Interim Statement of Cash Flows. Six months ended 30 September 2010

	Note	Unaudited 6 months to 30/09/2010 £'000	Unaudited 6 months to 30/09/2009 £'000	Audited Year to 31/03/2010 £'000
Profit before tax		**1,155**	**517**	**1,254**
Gain on reduction of deferred consideration - net		-	(865)	(865)
Finance income - net	4	(91)	(36)	(11)
Depreciation		1,174	819	1,846
Amortisation		292	219	509
Share based payments		117	186	379
Movement in deposits		(400)	-	(332)
Movement in trade receivables		(338)	215	(63)
Movement in trade payables		1,173	(363)	1,169
Cash flow from operations		**3,082**	**692**	**3,886**
Taxation paid		-	(60)	(164)
Net cash flow from operating activities		**3,082**	**632**	**3,722**
Cash flow from investing activities				
Purchase of property, plant and equipment		(924)	(1,580)	(2,341)
Capitalisation of development costs		(163)	(118)	(281)
Purchase of intangible assets – software		(193)	(58)	(69)
Payment for acquisition of subsidiary undertaking		-	(4,440)	(5,458)
Repayment of borrowings on acquisition of subsidiary undertaking		-	(226)	(226)
Deferred consideration paid on prior period acquisition	8	(1,000)	(2,525)	(2,935)
Receipt from disposal of discontinued operation	7	795	-	-
Net cash acquired with subsidiary undertaking		-	155	155
Interest received		225	155	172
Net cash used in investing activities		**(1,260)**	**(8,637)**	**(10,983)**
Cash flow from financing activities				
Issue of shares		340	41	41
Repayment of finance leases		(360)	(138)	(396)
Repayment of borrowings		-	(35)	(222)
Interest paid		(53)	(24)	(66)
Dividends paid		(391)	(291)	(291)
Net cash used in financing activities		**(464)**	**(447)**	**(934)**
Net increase/(decrease) in cash and cash equivalents		**1,358**	**(8,452)**	**(8,195)**
Cash and cash equivalents at the beginning of the period		5,715	13,910	13,910
Cash and cash equivalents at the end of the period		**7,073**	**5,458**	**5,715**

Consolidated Interim Statement of Changes in Equity. Six months ended 30 September 2010

Changes in equity	Share capital £'000	Own shares JSOP £'000	Own shares treasury £'000	Capital redemption reserve £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2009	**1,002**	**-**	**(678)**	**1,200**	**17,583**	**14,284**	**33,391**
Share based payments	-	-	-	-	-	186	**186**
Dividends paid	-	-	-	-	-	(291)	**(291)**
Issue of own shares for option redemption	-	-	41	-	-	-	**41**
Profit in the period	-	-	-	-	-	1,369	**1,369**
Balance at 30 September 2009	**1,002**	**-**	**(637)**	**1,200**	**17,583**	**15,548**	**34,696**
Share based payments	-	-	-	-	-	193	**193**
Issue of own shares for option redemption	-	-	130	-	-	(130)	**-**
Issue of own shares to Joint Share Ownership Plan	-	-	507	-	712	-	**1,219**
Issue of new shares to Joint Share Ownership Plan	26	(2,464)	-	-	1,219	-	**(1,219)**
Profit in the period	-	-	-	-	-	701	**701**
Balance at 31 March 2010	**1,028**	**(2,464)**	**-**	**1,200**	**19,514**	**16,312**	**35,590**
Share based payments	-	-	-	-	-	117	**117**
Dividends paid	-	-	-	-	-	(391)	**(391)**
Issue of shares for option redemption	7	-	-	-	333	-	**340**
Profit in the period	-	-	-	-	-	1,035	**1,035**
Balance at 30 September 2010	**1,035**	**(2,464)**	**-**	**1,200**	**19,847**	**17,073**	**36,691**

1. Accounting policies

The financial information for the year ended 31 March 2010 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 2010 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 auditors' 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 2011. The Group financial statements for the year ended 31 March 2010 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 2010. The provisions of IAS 34 'Interim Financial Reporting' have not been applied in full.

The Group has adopted IFRS 3(R) 'Business Combinations' in the current year. All expenses incurred in connection with acquisitions have been expensed through the income statement.

2. Operating segments

Revenue by Operating Segment

	6 months to 30/09/2010			6 months to 30/09/2009			Year to 31/03/2010		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
Easyspace	3,850	-	3,850	3,441	-	3,441	7,363	-	7,363
Hosting	7,528	459	7,987	4,920	274	5,194	10,964	717	11,681
	11,378	**459**	**11,837**	**8,361**	**274**	**8,635**	**18,327**	**717**	**19,044**

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 30/09/2010 £'000	6 months to 30/09/2009 £'000	Year to 31/03/2010 £'000
United Kingdom	10,430	7,842	17,142
Rest of the World	948	519	1,185
Revenue from operations	**11,378**	**8,361**	**18,327**

2. Operating segments (continued)

Profit by Operating Segment

	6 months to 30/09/2010			6 months to 30/09/2009			Year to 31/03/2010		
	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	1,376	(18)	1,358	1,071	(17)	1,054	2,579	(35)	2,544
Hosting	2,443	(1,448)	995	845	(1,021)	(176)	2,763	(2,320)	443
Group overheads	(1,112)	-	(1,112)	(1,076)	-	(1,076)	(2,230)	-	(2,230)
Share based payments	-	(117)	(117)	-	(186)	(186)	-	(379)	(379)
Acquisition costs	-	(60)	(60)	-	-	-	-	-	-
	2,707	(1,643)	1,064	840	(1,224)	(384)	3,112	(2,734)	378
Net gain on business combination			-			865			865
Group interest and tax			(29)			888			827
Profit for the period	**2,707**	**(1,643)**	**1,035**	**840**	**(1,224)**	**1,369**	**3,112**	**(2,734)**	**2,070**

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:

	6 months to 30/09/2010	6 months to 30/09/2009	Year to 31/03/2010
Total Operations			
	£'000	**£'000**	**£'000**
Profit for the financial period and basic earnings attributed to ordinary shareholders	1,035	1,369	2,070
	No	**No**	**No**
Weighted average number of ordinary shares:	**000**	**000**	**000**
For basic earnings per share	100,709	99,831	97,577
Exercise of share options	480	176	230
For diluted earnings per share	**101,189**	**100,007**	**97,807**
Basic earnings per share	1.03 p	1.37 p	2.12 p
Diluted earnings per share	1.02 p	1.37 p	2.12 p

4. Net finance cost

	6 months to 30/09/2010	6 months to 30/09/2009	Year to 31/03/2010
Finance income:			
Bank interest receivable	33	60	77
Other interest income	152	-	-
Finance income for the period	**185**	**60**	**77**
Finance expense:			
Finance lease interest	(53)	(24)	(66)
Other interest payable	(41)	-	-
Finance expense for the period	**(94)**	**(24)**	**(66)**
Net finance cost for the period	**91**	**36**	**11**

Other interest income of £112,000 was received in the period relating to interest earned on sums held in escrow which have now been released. In addition, £80,000 was received in the period relating to interest earned on sums held on a rental deposit by a landlord since the inception of the agreement and of this, £40,000 had previously been accrued in interest receivable.

5.Taxation

	6 months to 30/09/2010	6 months to 30/09/2009	Year to 31/03/2010
Tax charge for the period	(128)	-	(12)
Adjustment relating to prior period	-	-	20
Deferred tax credit	8	852	808
Taxation (charge)/credit for the year	**(120)**	**852**	**816**

The Group has a deferred tax asset which has been recognised in respect of tax losses within one of the subsidiary companies, which has generated taxable profits and is expected to continue to do so.

6. Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Datacentre equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:							
At 1 April 2009	837	360	7,584	1,869	677	-	11,327
Additions in the period	-	392	462	794	8	-	1,656
Acquisition of subsidiary	-	1,299	166	727	21	14	2,227
At 30 September 2009	**837**	**2,051**	**8,212**	**3,390**	**706**	**14**	**15,210**
Additions in the period	-	88	183	1,294	4	-	1,569
Disposals in the period	-	-	-	-	-	(7)	(7)
At 31 March 2010	**837**	**2,139**	**8,395**	**4,684**	**710**	**7**	**16,772**
Additions in the period	-	404	205	1,178	1	-	1,788
At 30 September 2010	**837**	**2,543**	**8,600**	**5,862**	**711**	**7**	**18,560**
Accumulated depreciation:							
At 1 April 2009	(12)	(346)	(677)	(1,246)	(374)	-	(2,655)
Charge for the period	(4)	(49)	(317)	(422)	(25)	(2)	(819)
At 30 September 2009	**(16)**	**(395)**	**(994)**	**(1,668)**	**(399)**	**(2)**	**(3,474)**
Charge for the period	(4)	(63)	(335)	(607)	(15)	(3)	(1,027)
Disposals in the period	-	-	-	-	-	5	5
At 31 March 2010	**(20)**	**(458)**	**(1,329)**	**(2,275)**	**(414)**	**-**	**(4,496)**
Charge for the period	(10)	(69)	(346)	(730)	(18)	(1)	(1,174)
At 30 September 2010	**(30)**	**(527)**	**(1,675)**	**(3,005)**	**(432)**	**(1)**	**(5,670)**
Carrying amount:							
At 30 September 2010	**807**	**2,016**	**6,925**	**2,857**	**279**	**6**	**12,890**
At 31 March 2010	817	1,681	7,066	2,409	296	7	12,276
At 30 September 2009	821	1,656	7,218	1,722	307	12	11,736

7. Deferred consideration receivable on disposal

The deferred consideration receivable on disposal of Ufindus Limited in July 2008 of £914,000 was received in July 2010 net of costs associated with the disposal of £119,000.

8. Deferred consideration due on acquisitions

	30/09/2010 £'000	30/09/2009 £'000	31/03/2010 £'000
Deferred consideration due on acquisitions			
- Ezee DSL Limited	-	(1,400)	(1,000)
- Rapidswitch Limited	-	(950)	-
Total deferred consideration due on acquisitions	**-**	**(2,350)**	**(1,000)**

On 27 August 2010, the final instalment of deferred consideration of £1,000,000 was paid in relation to the acquisition of Ezee DSL Ltd. The single share in Ezee DSL Ltd that had been placed in escrow was transferred to iomart Group plc on payment of this final instalment and consequently iomart Group plc now owns 100% of the share capital of this company.

9. 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 2009	13,910	-	-	(202)	13,708
Inception of finance leases	-	-	-	(277)	(277)
Acquired on acquisition of subsidiary	155	(222)	(226)	(425)	(718)
Cash flow	(8,607)	35	226	138	(8,208)
At 30 September 2009	**5,458**	**(187)**	**-**	**(766)**	**4,505**
Inception of finance leases	-	-	-	(806)	(806)
Cash flow	257	187	-	258	702
At 31 March 2010	**5,715**	**-**	**-**	**(1,314)**	**4,401**
Inception of finance leases	-	-	-	(864)	(864)
Cash flow	1,358	-	-	360	1,718
At 30 September 2010	**7,073**	**-**	**-**	**(1,818)**	**5,255**

10. Post balance sheet event

On 29 October 2010, the Group acquired the entire issued share capital of Titan Internet Limited for a total cash consideration of up to £4.2m. Of the total consideration of £4.2m, £3.6m was paid on completion and a further amount of up to £0.6m is payable no earlier than 1 April 2011, subject to the certain performance criteria being met. In addition, at the date of acquisition, Titan Internet Limited had approximately £0.5m of net cash.

11. Availability of half yearly reports

Half yearly reports will be sent to all shareholders on 15 December 2010. Copies of the half yearly report will be available for collection from the offices of Peel Hunt Ltd, 111 Old Broad Street, London, EC2N 1PH, 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 2010 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 11 set out on pages 6 to 14. 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

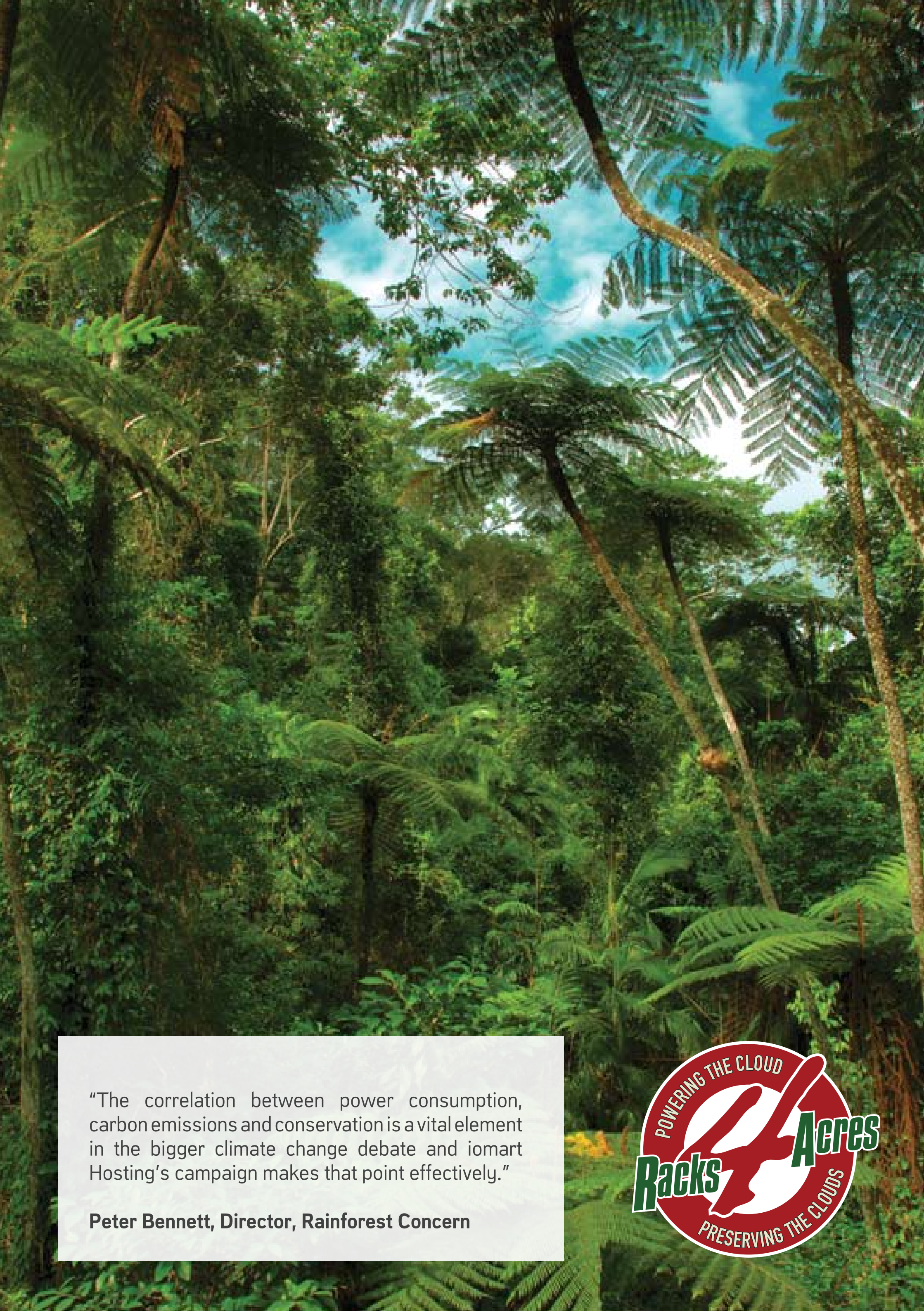
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial 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 2010 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 2010



"The correlation between power consumption, carbon emissions and conservation is a vital element in the bigger climate change debate and iomart Hosting's campaign makes that point effectively."

Peter Bennett, Director, Rainforest Concern

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