iomart
100% Uptime

Consolidated Half Yearly Results 2011

6 months ended 30 September 2011

"iomart Hosting's support has allowed us to scale up as fast as possible, while still allowing us to serve our millions of customers in a professional, responsive and personal manner."

Craig Parker, Director of IT, Skyscanner

Consolidated Half Yearly Results
6 months ended 30 September 2011

Highlights

iomart Group plc (AIM:IOM), the cloud computing and managed hosting services company, is pleased to report its consolidated half yearly results for the period ended 30 September 2011.

FINANCIAL HIGHLIGHTS

- Revenue growth of 36% to £15.4m (H1 2011: £11.4m)
- Adjusted EBITDA[1] growth of 85% to £5.0m (H1 2011: £2.7m)
- Profit before tax growth of 106% to £2.4m (H1 2011: £1.2m)
- Basic earnings per share from operations increased by 112% to 2.23p (H1 2011: 1.05p)
- Cashflow from operations of £4.1m (H1 2011: £3.1m)
- Net cash at end of period of £3.5m (H1 2011: £5.3m)

OPERATIONAL HIGHLIGHTS

- Acquisition of Switch Media Group for maximum of £1.2m in April 2011
- Acquisition of EQSN Limited for maximum of £2.5m in November 2011
- Titan server estate migrated into Group datacentres eliminating third party datacentre costs
- Continuing rationalisation programme for previously acquired businesses

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[1] Adjusted EBITDA means earnings before interest, tax, depreciation, amortisation charges, share based payment charges, acquisition related costs and non recurring acquisition integration costs

£5M
EBITDA
Increase
of 85%

£2.4M
PROFIT
BEFORE TAX
Increase
of 106%

36%
INCREASE
in Revenue

112%
INCREASE
in Earnings
Per Share

Introduction

I am very pleased to report on another excellent period of trading for the Group. We are now established as one of the UK's leading managed hosting and cloud services providers, with organisations continuing to choose iomart for the provision of their web facing infrastructure and the services that surround that. We have built on the success of the previous period and continue to demonstrate the effectiveness of the business model we are executing.

Our profitability at adjusted EBITDA level has almost doubled in the period from £2.7m to £5.0m 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, helped by the acquisition of Switch Media during the period.

Financial Performance

Overall revenues from our operations grew 36% to £15.4m (H1 2011 £11.4m), with both of our operating segments contributing to the growth.

The Easyspace segment grew revenues by 8% to £4.2m (H1 2011 £3.9m) over the period largely due to the acquisition of Switch Media Group in April 2011.

Our Hosting segment grew revenues by 50% to £11.3m (H1 2011 £7.5m) mainly through the sustained acquisition of managed hosting contracts together with the contribution of Titan Internet Limited which was acquired in November 2010.

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, increased by 52% to £10.3m (H1 2011 £6.8m). 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 67% (H1 2011 60%) with again both segments recording improved gross margin percentages in the period. In the Easyspace Segment this was due to an improved sales mix with a greater proportion of sales coming from higher margin products. In Hosting, due to the fixed nature of some of the operating costs, the contribution from increased revenues improved the percentage margin together with a reduction in the level of some of our other cost of sales as our purchasing power improves with our growth.

The Group's adjusted EBITDA grew by 85% to £5.0m (H1 2011 £2.7m) reflecting a significantly improved performance with again both segments contributing to the improvement.

Easyspace improved its adjusted EBITDA to £1.6m (H1 2011 £1.4m) and also its margin to 39% from 36%. The increase in our adjusted EBITDA percentage margin is mainly due to the effect of the improved sales mix which in turn produced an improved gross margin percentage performance.

Hosting improved its adjusted EBITDA to £4.6m (H1 2011 £2.4m) and also its margin to 41% from 32%. This significant improvement is largely due to the increased gross margin contribution arising from our sales growth together with the cost savings achieved from moving Titan's server estate to our own datacentre from rented datacentre space after acquisition. Over the period we have continued to incur additional administrative 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 the growing market for our 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 resources, marketing, finance and design. Group overheads increased slightly in the period to £1.2m (H1 2011 £1.1m).

Depreciation charges of £1.8m (H1 2011 £1.2m) 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 operation in Maidenhead. The charge for the amortisation of intangible assets has increased to £0.5m (H1 2011 £0.3m) as we amortise the intangible assets acquired through the acquisitions of both Titan and Switch Media. The share based payment charge is unaltered at £0.1m (H1 2011 £0.1m). In the period we have continued to incur costs related to acquisitions in respect of professional fees of £0.1m (H1 2011 £0.1m) and also incurred non-recurring costs related to the integration of acquisitions in the period of £0.2m (H1 2011 £nil).

Finance income in the period was £Nil (H1 2011 £0.2m) and finance costs were £0.1m (H1 2011 £0.1m).

As a result the profits for the period before tax more than doubled to £2.4m (H1 2011 £1.1m).

There is a small tax charge in the period of £0.2m (H1 2011 £0.1m) resulting in a profit for the period from total operations of £2.2m (H1 2011 £1.0m).

The Group generated cash from operating activities in the period of £4.0m (H1 2011 £3.1m). Net expenditure on investing activities of £3.1m (H1 2011 £1.3m) included payments of £1.0m to acquire Switch Media in April 2011 and £0.6m in respect of the deferred consideration due from the acquisition of Titan Internet in November 2010. There was net cash generated from financing activities of £0.8m (H1 2011 £0.5m net expenditure) including £0.5m from the issue of shares as a result of the exercise of options by employees and £1.0m from the drawdown of a bank loan to help fund the acquisition of Switch Media. As a result cash and cash equivalent balances at the end of the period were £8.6m (H1 2011 £7.1m).

The net cash position of the Group at the end of the period was £3.5m (H1 2011 £5.3m).

In November 2011 the company acquired EQSN Limited for a maximum consideration of £2.5m of which £2.3m was paid on completion and Global Gold Limited for a maximum consideration of £1.2m of which £0.7m was paid on completion.

Operational Review

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

We are continuing to integrate our acquisitions to ensure an efficient delivery mechanism to customers no matter which brand or avenue they buy through. This has seen continued success and improved profitability across the board. A lot of effort has been put into ensuring a higher customer touch to make sure we miss no opportunity to increase sales to customers which has been rewarded during the period with an increase in additional orders from existing customers. We are again delighted that our customers have chosen to reward us in this way. In return and also more generally in response to market needs we have widened and deepened our product set to maximise the opportunities both within our existing customer base and in the market overall.

All of this activity contributed to an increase in the Hosting segment revenue of 50% to £11.3m (H1 2011 £7.5m).

Easyspace

During the period we expanded our Easyspace operation through the acquisition of Switch Media. One of the main advantages of this acquisition is the focus on new corporate entities thereby improving the overall quality of the underlying customer base. Easyspace continues to provide a range of products and services to the micro and SME markets, including the adoption of many of the services and processes from Hosting, to broaden and deepen the services we deliver to customers. One of the processes adopted from Hosting is the increase in customer touch and as a result we have seen a healthy increase in renewal rates over the comparable period. Additionally, as a consequence there is less of a distinction in what we now sell between the two segments.

As a consequence of our activities in the period the Easyspace segment revenue has increased by 8% to £4.2m (H1 2011 £3.9m).

Acquisitions after the period end

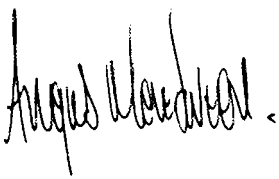
In accordance with our strategy to grow by both organic and acquisitive means we are delighted to have completed the purchase of EQSN Limited after the end of the period as announced on 24 November 2011. This is an excellent acquisition for the Group with an impressive customer base and we look forward to integrating its operations into the Group over the coming months. In addition, also in November, we purchased a small web hosting company, Global Gold Holdings Limited, that provides a variety of hosting and domain packages to a large number of SMEs in the UK. Whilst small, this business adds a good set of customers and will be similarly integrated into the Group in the coming months.

Current trading and outlook

Trading in the second half of the year has begun well and our pipeline of opportunities continues to strengthen.

The market opportunities available to us continue to grow as more and more organisations take advantage of the benefits of outsourcing their infrastructure needs to a strong and trusted supplier such as iomart. We continue to expand our skills, product sets and infrastructure to deliver an increasing range of cloud services and expect to continue the growth we have recently enjoyed.

We look forward with confidence.



"iomart Hosting's technical expertise and support provides relief to Nova's small but busy IT team. It's critical for our business that we have a 24/7 scalable service."

Chris Kewin, IT Director, Nova International

NATIONAL BUSINESS AWARDS UK 2011 FINALIST

"Showing courage by taking the opportunity to grow, iomart is operating in a highly competitive market but proving to be capable of expansion through organic growth and aquisition."

		Unaudited 6 months to 30/09/11 £'000	Unaudited 6 months to 30/09/10 £'000	Audited Year to 31/03/11 £'000
Revenue		15,428	11,378	25,252
Cost of sales		(5,110)	(4,571)	(9,699)
Gross profit		**10,318**	**6,807**	**15,553**
Administrative expenses		(7,843)	(5,743)	(12,780)
Operating profit		**2,475**	**1,064**	**2,773**
Analysed as:				
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payments		**5,009**	**2,707**	**6,644**
Share based payments		(84)	(117)	(290)
Acquisition costs	4	(223)	(60)	(195)
Depreciation		(1,753)	(1,174)	(2,689)
Amortisation		(474)	(292)	(697)
Finance income		12	185	197
Finance costs		(105)	(94)	(178)
Profit before taxation		**2,382**	**1,155**	**2,792**
Taxation	5	(166)	(120)	70
Profit for the period from total operations		**2,216**	**1,035**	**2,862**
Other comprehensive income				
Currency translation differences		(5)	-	-
Other comprehensive expense for the period		**(5)**		
Total comprehensive income for the period		**2,211**	**1,035**	**2,862**
Attributable to equity holders of the parent		**2,211**	**1,035**	**2,862**
Basic and diluted earnings per share				
Total operations				
Basic earnings per share	3	2.23 p	1.05 p	2.91 p
Diluted earnings per share	3	2.17 p	1.04 p	2.85 p

Consolidated Interim Statement of Financial Position. As at 30 September 2011

	Note	Unaudited 30/09/2011 £'000	Unaudited 30/09/2010 £'000	Audited 31/03/2011 £'000
ASSETS				
Non-current assets				
Intangible assets – goodwill	6	25,147	20,723	23,952
Intangible assets – other	6	2,179	1,072	1,978
Deferred tax asset		451	612	619
Lease deposit		2,416	1,616	2,016
Property, plant and equipment	7	15,287	12,890	14,788
		45,480	**36,913**	**43,353**
Current assets				
Cash and cash equivalents		8,611	7,073	6,864
Trade and other receivables		3,488	3,235	3,100
		12,099	**10,308**	**9,964**
Total assets		**57,579**	**47,221**	**53,317**
LIABILITIES				
Non-current liabilities				
Non-current borrowings		(970)	(1,096)	(920)
		(970)	**(1,096)**	**(920)**
Current liabilities				
Contingent consideration due on acquisitions	8	(225)	-	(600)
Trade and other payables		(10,678)	(8,712)	(10,047)
Current borrowings		(4,107)	(722)	(2,846)
		(15,010)	**(9,434)**	**(13,493)**
Total liabilities		**(15,980)**	**(10,530)**	**(14,413)**
Net assets		**41,599**	**36,691**	**38,904**
EQUITY				
Share capital		1,047	1,035	1,038
Own shares		(2,351)	(2,464)	(2,464)
Capital redemption reserve		1,200	1,200	1,200
Share premium		20,311	19,847	19,977
Retained earnings		21,392	17,073	19,153
Total equity		**41,599**	**36,691**	**38,904**

	Note	Unaudited 6 months to 30/09/11 £'000	Unaudited 6 months to 30/09/10 £'000	Audited Year to 31/03/11 £'000
Profit before tax		**2,382**	**1,155**	**2,792**
Finance income - net		93	(91)	(19)
Depreciation		1,753	1,174	2,689
Amortisation		474	292	697
Share based payments		84	117	290
Exchange movements		(5)	-	-
Movement in deposits		(400)	(400)	(800)
Movement in trade receivables		(352)	(338)	194
Movement in trade payables		89	1,173	1,211
Cash flow from operations		**4,118**	**3,082**	**7,054**
Taxation paid		(70)	-	(12)
Net cash flow from operating activities		**4,048**	**3,082**	**7,042**
Cash flow from investing activities				
Purchase of property, plant and equipment		(1,375)	(924)	(3,419)
Capitalisation of development costs		(224)	(163)	(351)
Purchase of intangible assets – software		(63)	(193)	(197)
Payment for acquisition of subsidiary undertaking	10	(1,025)	-	(3,144)
Deferred consideration paid on prior period acquisition	8	(600)	(1,000)	(1,000)
Receipt from disposal of discontinued operation		-	795	795
Net cash acquired with subsidiary undertaking		126	-	-
Interest received		12	225	237
Net cash used in investing activities		**(3,149)**	**(1,260)**	**(7,079)**
Cash flow from financing activities				
Issue of shares		460	340	473
Bank loans		1,000	-	2,000
Repayment of finance leases		(523)	(360)	(759)
Interest paid		(89)	(53)	(137)
Dividends paid		-	(391)	(391)
Net cash generated from/(used in) financing activities		**848**	**(464)**	**1,186**
Net increase in cash and cash equivalents		**1,747**	**1,358**	**1,149**
Cash and cash equivalents at the beginning of the period		6,864	5,715	5,715
Cash and cash equivalents at the end of the period		**8,611**	**7,073**	**6,864**

Consolidated Interim Statement of Changes in Equity. Six months ended 30 September 2011

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 2010	**1,028**	**(2,464)**	**-**	**1,200**	**19,514**	**16,312**	**35,590**
Profit in the period	-	-	-	-	-	**1,035**	**1,035**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,035**	**1,035**
Share based payments	-	-	-	-	-	117	**117**
Dividends paid	-	-	-	-	-	(391)	**(391)**
Issue of new shares for option redemption	7	-	-	-	333	-	**340**
Total transaction with owners	**7**	**-**	**-**	**-**	**333**	**(274)**	**66**
Balance at 30 September 2010	**1,035**	**(2,464)**	**-**	**1,200**	**19,847**	**17,073**	**36,691**
Profit in the period	-	-	-	-	-	1,827	**1,827**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,827**	**1,827**
Share based payments	-	-	-	-	-	173	**173**
Deferred tax on share based payments	-	-	-	-	-	80	**80**
Issue of new shares for option redemption	3	-	-	-	130	-	**133**
Total transaction with owners	**3**	**-**	**-**	**-**	**130**	**253**	**386**
Balance at 31 March 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 transaction 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**

1. Accounting policies

The financial information for the year ended 31 March 2011 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 2011 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 2012. The Group financial statements for the year ended 31 March 2011 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 2011. The provisions of IAS 34 'Interim Financial Reporting' have not been applied in full.

2. Operating segments

Revenue by Operating Segment

	6 months to 30/09/2011			6 months to 30/09/2010			Year to 31/03/2011		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
Easyspace	4,171	-	4,171	3,850	-	3,850	7,558	-	7,558
Hosting	11,257	456	11,713	7,528	459	7,987	17,694	896	18,590
	15,428	**456**	**15,884**	**11,378**	**459**	**11,837**	**25,252**	**896**	**26,148**

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 30/09/2011 £'000	6 months to 30/09/2010 £'000	Year to 31/03/2011 £'000
United Kingdom	13,810	10,430	22,585
Rest of the World	1,618	948	2,667
Revenue from operations	**15,428**	**11,378**	**25,252**

2. Operating segments (continued)

Profit by Operating Segment

	6 months to 30/09/2011			6 months to 30/09/2010			Year to 31/03/2011		
	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	1,641	(101)	1,540	1,376	(18)	1,358	2,794	(35)	2,759
Hosting	4,566	(2,126)	2,440	2,443	(1,448)	995	6,178	(3,351)	2,827
Group overheads	(1,198)	-	(1,198)	(1,112)	-	(1,112)	(2,328)	-	(2,328)
Share based payments	-	(84)	(84)	-	(117)	(117)	-	(290)	(290)
Acquisition costs	-	(223)	(223)	-	(60)	(60)	-	(195)	(195)
	5,009	(2,534)	2,475	2,707	(1,643)	1,064	6,644	(3,871)	2,773
Group interest and tax			(259)			(29)			89
Profit for the period	**5,009**	**(2,534)**	**2,216**	**2,707**	**(1,643)**	**1,035**	**6,644**	**(3,871)**	**2,862**

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 30/09/11	6 months to 30/09/10	Year to 31/03/11
	£'000	**£'000**	**£'000**
Profit for the financial period and basic earnings attributed to ordinary shareholders	2,216	1,035	2,862
	No	**No**	**No**
Weighted average number of ordinary shares:	**000**	**000**	**000**
Called up, allotted and fully paid at start of period	103,840	102,753	102,753
Shares held by Employee Benefit Trust	(4,914)	(4,977)	(4,977)
New shares issued during the period (weighted average)	327	423	674
Weighted average number of ordinary shares - basic	**99,253**	**98,199**	**98,450**
Dilutive impact of share options	793	480	958
Dilutive impact of JSOP shares	2,140	455	1,026
Weighted average number of ordinary shares - diluted	**102,186**	**99,134**	**100,434**
Basic earnings per share	2.23 p	1.05 p	2.91 p
Diluted earnings per share	2.17 p	1.04 p	2.85 p

4. Acquisition costs

	6 months to 30/09/11	6 months to 30/09/10	Year to 31/03/11
Professional fees	73	60	195
Integration costs	150	-	-
Total acquisition costs for the period	223	60	195

During the period costs of £73,000 (H1 2011 £60,000) were incurred in respect of professional fees on various acquisitions. In addition to these professional fees, one-off costs of £150,000 (H1 2011 £nil) directly related to the integration of successful acquisitions into the Group were also incurred.

5. Taxation

	6 months to 30/09/11	6 months to 30/09/10	Year to 31/03/11
Tax charge for the period	(155)	(128)	(183)
Adjustment relating to prior period	47	-	33
Deferred tax (debit)/credit	(58)	8	220
Taxation (charge)/credit for the period	(166)	(120)	70

The Group has a deferred tax asset which has been recognised in respect of tax losses within three subsidiary companies, which have generated taxable profits and are expected to continue to do so. At the period end, the Group has unused tax losses of £11.8m (H1 2011 £15.4m) available for offset against future profits. A deferred tax asset has been recognised in respect of £5.4m (H1 2011 £8.8m) of such losses.

6. Intangible assets

	Goodwill £'000	Development costs £'000	Customer relationships £'000	Software £'000	Domain names £'000	Total £'000
Cost:						
At 1 April 2010	20,723	760	800	294	31	22,608
Additions in the period	-	-	-	193	-	193
Development costs capitalised	-	163	-	-	-	163
At 30 September 2010	**20,723**	**923**	**800**	**487**	**31**	**22,964**
Additions in the period	3,229	-	-	4	-	3,233
Acquisition of subsidiary	-	-	1,119	-	-	1,119
Development costs capitalised	-	188	-	-	-	188
At 31 March 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**
Accumulated amortisation:						
At 1 April 2010	-	(378)	(261)	(229)	(9)	(877)
Charge for the period	-	(134)	(108)	(45)	(5)	(292)
At 30 September 2010	**-**	**(512)**	**(369)**	**(274)**	**(14)**	**(1,169)**
Charge for the period	-	(141)	(208)	(51)	(5)	(405)
At 31 March 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)**
Carrying amount:						
At 30 September 2011	**25,147**	**523**	**1,468**	**181**	**7**	**27,326**
At 31 March 2011	23,952	458	1,342	166	12	25,930
At 30 September 2010	20,723	411	431	213	17	21,795

Goodwill is allocated to individual Cash Generating Units ("CGU") on the basis of the Group's operations. The carrying value of goodwill by each CGU is as follows:

	30/09/11 £'000	30/09/10 £'000	31/03/11 £'000
Cash generating units (CGU)			
Easyspace	13,509	12,314	12,314
Hosting	11,638	8,409	11,638
Intangible assets - goodwill	**25,147**	**20,723**	**23,952**

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 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**
Additions in the period	-	967	195	1,690	9	-	2,861
Acquisition of subsidiary	-	14	-	421	81	55	571
Disposals in the period	-	-	-	-	-	(24)	(24)
At 31 March 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**
Accumulated depreciation:							
At 1 April 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)**
Charge for the period	(10)	(66)	(363)	(1,028)	(42)	(6)	(1,515)
Disposals in the period	-	-	-	-	-	5	5
At 31 March 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)**
Carrying amount:							
At 30 September 2011	**788**	**2,894**	**6,912**	**4,355**	**310**	**28**	**15,287**
At 31 March 2011	797	2,931	6,757	3,940	327	36	14,788
At 30 September 2010	807	2,016	6,925	2,857	279	6	12,890

8. Contingent consideration due on acquisitions

	30/09/11 £'000	30/09/10 £'000	31/03/11 £'000
Contingent consideration due on acquisitions			
- Titan Internet Limited	-	-	(600)
- Switch Media Limited	(225)	-	-
Total contingent consideration due on acquisitions	**(225)**	**-**	**(600)**

On 14 July 2011, the final instalment of contingent consideration of £600,000 was paid in relation to the acquisition of Titan Internet Ltd. The criteria for paying the contingent consideration of £225,000 due on the acquisition on Switch Media Limited are listed in Note 10 and are 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 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**
Inception of finance leases	-	-	(347)	(347)
New bank loans	-	(2,000)	-	(2,000)
Acquired on acquisition of subsidiary	126	-	-	126
Cash flow	(335)	-	399	64
At 31 March 2011	**6,864**	**(2,000)**	**(1,766)**	**3,098**
Inception of finance leases	-	-	(834)	(834)
New bank loans	-	(1,000)	-	(1,000)
Cash flow	1,747	-	523	2,270
At 30 September 2011	**8,611**	**(3,000)**	**(2,077)**	**3,534**

10. Acquisition

The Group acquired 100% of the issued share capital of Switch Media Limited and its subsidiaries ("Switch Media") on 26 April 2011. This transaction has been accounted for by the acquisition method of accounting.

Switch Media supplies domain registration, web hosting and web design services to its client base primarily in the UK and in the Republic of Ireland and the acquisition is in line with the Group's strategy to grow both organically and by acquisition.

During the current period the Group incurred £9,000 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 2011. In the prior year, £76,000 of third party acquisition related costs were incurred and these were included in administrative expenses in the Group's consolidated statement of comprehensive income for the year ending 31 March 2011.

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

	£'000
Fair value of consideration transferred:	
Cash	1,025
Contingent consideration	225
Total consideration	**1,250**
Recognised amounts of net assets acquired and liabilities assumed (provisional):	
Cash and cash equivalents	126
Trade and other receivables	36
Current deferred tax asset	52
Property, plant and equipment	43
Intangible assets	388
Trade and other payables	(491)
Current deferred tax liability	(39)
Non-current deferred tax liability	(60)
Total identifiable assets	**55**
Goodwill	1,195
	1,250

The acquisition of Switch Media includes a contingent consideration arrangement that requires additional consideration to be paid by the Group for Switch Media subject to the integration of that business operation into the Group, the transfer of Switch Media's provisioning platforms to existing Group platforms and the transfer of Switch Media's server estate to the Group's datacentres.

The goodwill arising on the acquisition of Switch Media is attributable to the specialised, industry specific knowledge of the management and staff, 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.

All services supplied by Switch Media are payable in advance and the fair value of the assets does not include any trade receivables. The fair value of the acquired customer relationships intangible asset of £388,000 is provisional pending a final valuation.

To estimate the fair value of the customer relationship 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 13.8% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 3 years.

The name, Switch Media Limited, is not actively advertised or promoted, with the majority of Switch Media's business being generated from existing customers or by mail shots to newly registered companies. Switch Media has given a commitment to customers not to share information held about them with third parties. No value has therefore been attributed to either the trade name/brand or to the customer lists acquired at the acquisition date.

11. Post balance sheet events

On 23 November 2011, the Group acquired the entire issued share capital of EQSN Limited for a total cash consideration of up to £2.5m. Of the total consideration of £2.5m, £2.3m was paid on completion and a further amount of up to £0.2m is payable subject to the successful integration of the operations of EQSN Limited into the Group. In addition, at the date of acquisition, EQSN Limited had approximately £0.2m of net cash. On 24 November 2011, the Group acquired the entire issued share capital of Global Gold Holdings Limited for a total cash consideration of up to £1.2m. Of the total consideration of £1.2m, £0.7m was paid on completion and a further amount of up to £0.5m is payable subject to certain performance and other criteria being met.

12. Availability of half yearly reports

Half yearly reports will be sent to all shareholders on 16 December 2011. 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 2011 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 17. 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 2011 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

28 November 2011

Easyspace asked local school children to create their sculpture for 2011 conservation campaign Jungle City.

"The Jungle City project was the talk of the school and we are so impressed by what the pupils created," said depute head teacher Carolyn Randall.

" It will have pride of place and will help our pupils learn about the challenges faced by animals around the world."

“iomart Hosting absolutely understand what we want and are prepared to create the bespoke infrastructure that we need.”

Andy Theyers, Director, Isotoma

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