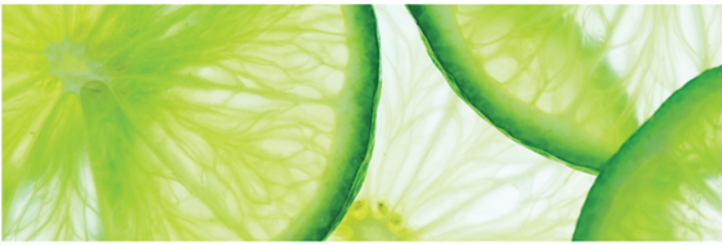
IOMART GROUP PLC INTERIM REPORT
6 months ended 30 September 2007



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iomart Group plc
Interim Results Announcement @ 30.9.07

iomart Group plc ("iomart"), the datacentre operating and web hosting business, presents its consolidated interim results for the six month period ended 30 September 2007.

FINANCIAL HIGHLIGHTS

- Group operating loss of £0.4m (H1 FY07 profit £0.16m) after investment in datacentre business acquired at end of FY 07
- iomart's existing businesses, which exclude the datacentre operation, deliver substantially improved performance:
  - ◊ Operating profit increase to £1.2m (H1 FY07: £0.2m)
  - ◊ Increase in operating cash contribution to £1.7m (H1 FY07: outflow £0.03m)
- Beneficial ownership of 99.8% of datacentre operation achieved

OPERATIONAL HIGHLIGHTS

- Improved operational efficiency, strengthened management and streamlined existing businesses
- Senior management team in place to build datacentre business
- London datacentre fully operational

Nick Kuenssberg, Chairman, commented: "It is gratifying that management's efforts to improve the established iomart businesses have been rewarded. An experienced and capable management team has been recruited to develop the datacentre business and I am delighted that the London datacentre is now fully operational.

Beneficial ownership of 99.8% of the datacentre operation has now been achieved which means we will acquire the datacentre business for a maximum total consideration of £9.6m.

As advised previously this is an appropriate time to review the composition of the Board and I am pleased to advise that we have made good progress on the appointment of a non-executive director and expect to make an announcement in the near future."

Angus MacSween, CEO added, "I am pleased to report that we have succeeded in increasing the profitability of iomart's established businesses during the period and I am confident that further progress will be made in the second half of the year. We are seeing considerable and growing interest in both our datacentre services and our complex hosting capability - particularly from our target market of blue-chip enterprises seeking long term solutions. These will form the core of our future revenue streams, providing high margin earnings with good visibility."

For further information:

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Chief Executive's Statement

During the past six months iomart has successfully developed Ufindus and Easyspace and substantially reduced losses in Netintelligence thereby improving operating margin and profitability of the existing businesses while restricting revenues to a certain extent in the short term. We have identified a number of growth opportunities in these businesses as well as scope to implement further operational efficiencies.

While the datacentre business is still in start-up mode we are pleased with the initial interest from our target market of large-scale enterprises seeking long-term contracts, albeit that these have taken longer to close than originally planned. Given the current pricing environment we anticipate that margins will continue to improve and we look forward to taking advantage of this trend in 2008. The operating losses incurred during the period were as a result of the initial development of the datacentre business.

Financials

Group Financials

	6 months ended 30 September 2007			6 months ended 30 September 2006
	Existing Businesses £'000	Datacentres £'000	Combined Group £'000	Existing Businesses £'000
Revenue	9,558	73	9,631	10,855
Gross profit	7,812	(1,036)	6,776	8,356
Operating (loss)/profit	1,159	(1,555)	(396)	168
Cash flow from operations	1,737	(2,748)	(1,011)	(32)

Total revenue for the 6 months declined to £9.6m from £10.9m in the same period last year, a decrease of 11%. This resulted from the deliberate strategy to improve the profitability of the Ufindus business which saw a cut in direct sales headcount and focus on improved operational efficiencies. This strategy has been successful because, although revenues were depressed, operating profits have improved.

Gross profit for the period was £6.8m (H1 FY07 £8.4m) and gross margin was 70% (H1 FY07 77%) the reduction in which is entirely due to the gross loss of the datacentre operation, with the existing businesses having delivered an increase in gross margin in percentage terms. An operating loss of £0.4m was recorded for the period (H1 FY07 operating profit of £0.2m) but the decline can be wholly attributed to the operating and administrative expenses associated with the datacentre business acquired at the close of FY 2007.

The continued recognition of a deferred tax asset in respect of Ufindus tax losses has provided a tax credit of £0.27m (H1 FY £0.29m). The net loss for the period is therefore £0.16m (H1 FY07 profit of £0.3m).

There was an operating cash outflow in the period of £1.01m (H1 FY07 outflow of £0.03m) caused by the expenditure associated with the datacentre business. Net debt at the end of September was £0.62m (HI FY07 £4.54m).

Like- for-Like Financials

Excluding the effects of the datacentre acquisition at the end of FY 2007, the performance of the existing businesses was encouraging. Revenue was £9.6m (H1 FY07 £10.9m) but there was a substantial improvement in both our gross margin to 82% (HI FY07 77%) and operating profit to £1.2m (H1 FY07 £0.2m) resulting from actions taken in Ufindus, Easyspace and Netintelligence.

These existing businesses are now cash positive with an operating cash contribution of £1.7m against an outflow of £0.03m in the comparable period. This confirms that these operations are stable and healthy, providing a solid foundation on which to support the expansion of the new datacentre business.

Business Divisions

Ufindus

The last 6 months has been a period of stabilisation and refinement for Ufindus, our online directory and web search optimisation business. Having taken action to increase profitability by streamlining the sales function the number of direct sales staff is considerably lower than in H1 FY07. Therefore, although revenues are down, the business is now more profitable in absolute and relative terms and has improved its cash generation. Ufindus has also achieved the objective of becoming more self-sufficient in terms of operational management. Having established a more robust and profitable platform for Ufindus we now anticipate additional revenue growth through both new sales and improved customer retention.

Easyspace

Easyspace continued to provide solid profit and cash generation during the period. The senior management team has recently been strengthened allowing us to accelerate new initiatives and to take advantage of the current strong demand for hosting services.

iomart Datacentres

Market Opportunity

iomart sees positive market dynamics within the datacentre space, as echoed by numerous market commentators. A recent industry report revealed that global demand for datacentre space grew by some 12.5% in the past year against an increase in available space of only 4.2% and market commentators at this year's Data Centres Europe conference predict that this pattern will be sustained for some years to come. The market reaction to the Telecity IPO in October provided a general confirmation of our views. With demand outstripping supply, prices for datacentre space are inevitably increasing.

This increasing market demand, coupled with iomart's ability to offer the complete set of components in the hosting arena from dedicated servers through to complex managed hosting solutions and co-location space, means that the Group is well positioned to win high-value contracts with large organisations requiring significant amounts of rack space. Contracts of this kind, usually long-term, attract a premium price while offering numerous up-selling opportunities.

Progress

The main focus of the management team has been to make the datacentres fully operational and able to deliver according to the highest industry standards. The London datacentre is now fully operational and work has begun on the Nottingham and Leicester datacentres.

We have continued to win contracts for the provision of managed hosting with annual values of up to £0.5m at good rack rates albeit for low volumes of racks. In addition we are presently pursuing prospects for the datacentre business in line with the Company's planned rack rate targets through sales teams on the ground in London and Glasgow, two telemarketing companies and a disciplined database marketing campaign targeting companies and organisations that we believe will require outsourced datacentre and hosting solutions in the months and years ahead.

The actual sale of our datacentre space has been slower then first expected due to the need to recruit an operational team and this has been exacerbated by contracts often being tender-led and part of an overall sales process that can last up to 12 months prior to being finalised. Encouragingly, the team is now performing well and has built a pipeline of new business which is growing month-on-month and is, after a relatively short period, showing considerable potential. However, the overall result of these delays is that we anticipate the ramp-up in datacentre revenues will occur 6-9 months later than our original expectations, although in the current year this will be offset by lower costs.

The datacentre operation has significantly increased its profile as a prominent player within the datacentre market, capable of offering a full end-to-end service. As a result of these developments, combined with encouraging market conditions, iomart is very positive regarding the long term prospects for its datacentre business.

Outlook

We are encouraged by the progress that has been made in our web services division and believe that we can build on the significant improvements made during the first six months of the year.

Since the end of the period the Group has continued to trade in line with expectations and we anticipate this to continue for the rest of the year.

In terms of the longer term opportunity, there is undoubtedly strong demand for both our datacentre services and our complex hosting capability - particularly from our target market of blue-chip enterprises seeking long term solutions. Whilst our pipeline contains several opportunities for large hosting contracts, the rate and timing of these contract wins is difficult to predict.

We believe that our strategy of becoming a leader in managed complex hosting, leveraging our own national infrastructure and experience will create a business with strong revenue streams, providing high margin earnings and good visibility.

CONSOLIDATED INTERIM INCOME STATEMENT
SIX MONTHS ENDED 30 SEPTEMBER 2007

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		6 months ended		Year ended
		Unaudited	Unaudited	Audited
		30.9.07	30.9.06	31.3.07
Continuing	**Note**	**£ 000**	**£ 000**	**£ 000**
Revenue		9,631	10,855	21,086
Cost of sales		(2,855)	(2,499)	(4,686)
Gross profit		**6,776**	**8.356**	**16,400**
Administrative expenses		(7,172)	(8,188)	(15,835)
Operating (loss)/profit		**(396)**	**168**	**565**
Finance income		86	3	11
Finance costs		(125)	(141)	(358)
(Loss)/profit before taxation		**(435)**	**30**	**218**
Taxation		270	292	1,962
(Loss)/profit for the year attributable to equity holders of the company		**(165)**	**322**	**2,180**
Basic and diluted earnings per share				
Basic	2	(0.17)p	0.42p	2.78p
Diluted	2	(0.17)p	0.41p	2.72p

CONSOLIDATED INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER 2007

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	Note	6 months ended Unaudited 30.9.07 £ 000	Unaudited 30.9.06 £ 000	Year ended Audited 31.3.07 £ 000
ASSETS				
Non-current assets				
Intangible assets – goodwill		14,475	14,289	14,475
Intangible assets – development costs		407	184	310
Intangible assets - software		37	35	39
Deferred tax asset (non-current element)		1,660	-	1,137
Deposits		884	-	-
Property, plant and equipment		10,447	1,191	10,615
		27,910	**15,699**	**26,576**
Current assets				
Trade and other receivables	3	3,367	2,748	2,989
Deferred tax asset (current element)		595	207	848
Amount due from share placing		-	-	10,466
Cash and cash equivalents		588	-	-
		4,550	**2,955**	**14,303**
Total assets		**32,460**	**18,654**	**40,879**
LIABILITIES				
Non-current liabilities				
Minority interest payable		(4,800)	-	(4,800)
Non-current borrowings		(158)	(1,130)	(649)
		(4,958)	**(1,130)**	**(5,449)**
Current liabilities				
Cash and cash equivalents		-	(2,486)	(3,152)
Trade and other payables		(4,412)	(4,385)	(4,336)
Current income tax liabilities		-	(19)	-
Current borrowings		(1,051)	(926)	(1,032)
Amount due in relation to acquisition		-	-	(4,800)
		(5,463)	**(7,816)**	**(13,320)**
Total liabilities		**(10,421)**	**(8,946)**	**(18,769)**
Net assets		**22,039**	**9,708**	**22,110**
EQUITY				
Share capital		994	793	994
Capital redemption reserve		1,200	1,200	1,200
Share premium		17,541	7,270	17,541
Profit and loss reserve		2,304	445	2,375
Total equity		**22,039**	**9,708**	**22,110**

The comparative figures for the financial year ended 31 March 2007 are an extract of the company's statutory financial statements for that financial year under IFRS. Those financial statements have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the independent auditors was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. This report was approved by the board of directors on 27 November 2007.

CONSOLIDATED INTERIM CASH FLOW STATEMENT

SIX MONTHS ENDED 30 SEPTEMBER 2007

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	6 months ended		Year ended
	30.9.07	**30.9.06**	**31.3.07**
	£ 000	**£ 000**	**£ 000**
Operating (loss) / profit	**(396)**	**168**	**565**
Depreciation	382	277	653
Amortisation	94	44	113
Share based payments	94	81	153
Recognition of deferred grants	(12)	(25)	(48)
Movement in deposits	(884)	-	-
Movement in trade receivables	(378)	(132)	(631)
Movement in trade payables	89	(445)	(562)
Cash flow from operations	**(1,011)**	**(32)**	**243**
Research and development tax credit received	-	-	142
Corporation tax paid	-	(150)	(160)
Net cash flow from operating activities	**(1,011)**	**(182)**	**225**
Cash flow from investing activities			
Purchase of property, plant and equipment	(168)	(289)	(463)
Capitalisation of development costs	(181)	(100)	(282)
Purchase of intangible assets - software	(9)	(12)	(29)
Payment for acquisition of subsidiary	(4,800)	-	-
Net cash used in investing activities	**(5,158)**	**(401)**	**(774)**
Cash flow from financing activities			
Issue of shares	-	37	43
Repayment of finance leases	(80)	(44)	(109)
Repayment of borrowings	(438)	(433)	(865)
Receipt of cash from share placing	10,466	-	-
Dividends	-	(1,284)	(1,284)
Interest received	86	3	11
Interest paid	(125)	(141)	(358)
Net cash from/(used in) financing activities	**9,909**	**(1,862)**	**(2,562)**
Net increase/(decrease) in cash and cash equivalents	3,740	(2,445)	(3,111)
Debt at the beginning of the period	(3,152)	(41)	(41)
Cash equivalents/(debt) at the end of the period	**588**	**(2,486)**	**(3,152)**

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 SEPTEMBER 2007

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	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Profit and loss reserve £'000	Total £'000
Balance at 1 April 2006	773	1,200	6,203	2,376	10,552
Scrip dividend	15	-	1,035	(1,050)	-
Dividends paid	-	-	-	(1,284)	(1,284)
Share based payments	-	-	-	81	81
Shares issued for share option redemption	5	-	32	-	37
Profit in the period	-	-	-	322	322
Balance at 30 September 2006	**793**	**1,200**	**7,270**	**445**	**9,708**
Share based payments	-	-	-	72	72
Shares issued for share option redemption	1	-	5	-	6
Issue of new shares for acquisition	200	-	10,266	-	10,466
Profit in the period	-	-	-	1,858	1,858
Balance at 31 March 2007	**994**	**1,200**	**17,541**	**2,375**	**22,110**

	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Profit and loss reserve £'000	Total £'000
Balance at 1 April 2007	**994**	**1,200**	**17,541**	**2,375**	**22,110**
Share based payments	-	-	-	94	94
Loss in the period	-	-	-	(165)	(165)
Balance at 30 September 2007	**994**	**1,200**	**17,541**	**2,304**	**22,039**

1. Accounting policies

The interim financial information does not constitute statutory financial statements for the purpose of section 240 of the Companies Act 1985. The figures for the year ended 31 March 2007 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.

The interim 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 2008. The Group financial statements for the year ended 31 March 2007 were prepared under International Financial Reporting Standards. These interim financial statements have been prepared on a consistent basis and format; however IAS 34 'Interim Financial Reporting' has not been applied in full.

The Group financial statements for the year ended 31 March 2007 were prepared in accordance with International Financial Reporting Standards (IFRS) and the comparative figures for the 6 months ended 30 September 2006 within this statement have been restated in accordance with IFRS.

2. Earnings per share

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

	6 months ended		**Year ended**
	30.9.07	**30.9.06**	**31.3.07**
	£ 000	**£ 000**	**£ 000**
(Loss)/profit for the financial period and basic earnings attributed to ordinary shareholders	(165)	322	2,180
	000	**000**	**000**
Weighted average number of ordinary shares:			
For basic earnings per share	99,436	77,513	78,558
Exercise of share options	-	1,768	1,683
For diluted earnings per share	99,436	79,281	80,241
Basic earnings per share	(0.17)p	0.42p	2.78p
Fully diluted earnings per share	(0.17)p	0.41p	2.72p

For the 6 months ended 30 September 2007 there was no dilutive effect from the potential exercise of options due to the group being loss-making.

3. Trade and other receivables

	6 months ended		**Year ended**
	30.9.07	**30.9.06**	**31.3.07**
	£ 000	**£ 000**	**£ 000**
Trade receivables (net)	1,859	1,375	2,086
Other receivables	234	435	90
Prepayments and accrued income	1,274	938	813
Trade and other receivables	**3,367**	**2,748**	**2,989**

4. Analysis of change in net debt

	Cash at bank and in hand £'000	Bank overdrafts £'000	Bank loan £'000	Finance leases £'000	Net debt £'000
At 1 April 2006	1,279	(1,320)	(2,173)	(64)	(2,278)
Inception of finance leases	-	-	-	(296)	(296)
Cash flow	(526)	(1,922)	438	44	(1,966)
At 30 September 2006	**753**	**(3,242)**	**(1,735)**	**(316)**	**(4,540)**
Inception of finance leases	-	-	-	(122)	(122)
Cash flow	246	(909)	427	65	(171)
At 31 March 2007	**999**	**(4,151)**	**(1,308)**	**(373)**	**(4,833)**

	Cash at bank and in hand £'000	Bank overdrafts £'000	Bank loan £'000	Finance leases £'000	Net debt £'000
At 1 April 2007	999	(4,151)	(1,308)	(373)	(4,833)
Inception of finance leases	-	-	-	(46)	(46)
Cash flow	(411)	4,151	438	78	4,256
At 30 September 2007	**588**	**-**	**(870)**	**(341)**	**(623)**

5. Availability of interim reports

Interim reports will be sent to all shareholders on 11 December 2007. Copies of the interim report will be available for collection from the offices of KBC Peel Hunt Ltd, 111 Old Broad Street, London, EC2N 1PH, for a period of 1 month from the date of despatch and in accordance with Rule 20 of the AIM Rules, available from the Company's website at www.iomartgroup.com.

INDEPENDENT REVIEW REPORT TO IOMART GROUP PLC

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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 2007 which comprises the condensed consolidated interim income statement, condensed consolidated interim balance sheet, condensed consolidated interim statement of changes in equity and the condensed consolidated interim cash flow statement and the related notes 1 to 5 set out on pages 5 to 10. 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 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 interim financial statements of the group are prepared in accordance with the accounting policies which will be adopted in the financial statements for the year ending 31 March 2008.

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.

INDEPENDENT REVIEW REPORT TO IOMART GROUP PLC

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 2007 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

27 November 2007

Notes: The maintenance and integrity of the iomart Group plc website is the responsibility of the directors: the interim review does not involve consideration of these matters and, accordingly, the company's reporting accountants accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of interim report differs from legislation in other jurisdictions.

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