IOMART GROUP PLC INTERIM REPORT

6 months ended 30 September 2003

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IOMART INTERIM RESULTS

SIX MONTHS ENDED 30.9.03

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Interim Results Announcement

iomart Group plc ("iomart"), the Glasgow based software and web-services business, presents its consolidated interim results for the six month period ended 30 September 2003.

Financial highlights

- turnover at £2,904k, up 253% on previous year, with annualised revenues at £8m
- loss reduced to £698k (1.2p per share v 2.3p per share for previous year)
- increase of 10% in equity base via successful placing of 5.4m shares at 15p
- net cash outflow restricted to £0.5m and cash balances of £3.5m on hand

Operational highlights

- NetIntelligence gaining significant reference customers
- 3 sales offices fuel web-services business growth to give September break-even
- successful acquisition and integration of NicNames
- total of 24,000 web services customers growing at more than 1,000 per month

Prospects

- NetIntelligence positioning endorsed by industry analysts confirming large market and bright future.
- webservices business profitability should improve during second half.
- growing customer base provides platform for cross selling and further growth.
- cash balances sufficient to achieve group profitability.

Nick Kuenssberg, chairman, commented:

The tough decisions and hard work of the last two years are beginning to pay off.

The NetIntelligence suite of enterprise security and content management products is increasingly relevant and we continue to win business. However the complexities associated with deployment in large corporates have deferred some of our larger opportunities for a number of months

We continue to see strong organic growth in our webservices business and anticipate further acquisition opportunities in that sector.

It is our intention to seek shareholder approval at our Annual General Meeting in June 2004 for a reduction of capital under Section 135 of the Companies Act 1985, subject to confirmation by the Court. The effect of the reduction would be to offset accumulated losses against share premium account and allow the group to commence the payment of dividends as and when appropriate.

Enquiries:
Angus MacSween
Chief Executive Officer
0141 931 7000

Chief Executive Officer's review

The six months since I last reported have seen very considerable progress in both our businesses. Our webservices business continues to grow organically at the rate of over 1,000 new customers per month and with the successful acquisition and integration of NicNames we now have over 24,000 customers and expect to end our financial year with over 30,000 customers.

NetIntelligence sales are ahead of budget for the first half and we have gained some significant reference customers from central government, local authorities and the corporate sector. Our product positioning and functionality continues to be endorsed by commentators, industry analysts and potential customers alike, and I remain confident we can deliver significant revenue growth in the months and years ahead. NetIntelligence was devised with the large corporate in mind but with the complexities associated with deployment across these corporates, not least the cooperation of their outsourcing partners, we are finding the sales cycle remains longer than we would like. This has deferred some of our larger opportunities for several months. However, the issues that NetIntelligence address are rapidly becoming priorities for large organisations reinforcing our confidence for future growth.

Financials

Turnover on continuing operations for the period was £2,772k, up from £805k which represents an increase of 244% over the corresponding period. Turnover from Web Genie Internet Limited (NicNames) from the date of acquisition was £132k. Total gross profit margin was 86% (85%).

Administrative expenses of £3,290k for the six-month period include £43k of restructuring costs in respect of the integration of NicNames.

The operating loss for the period was £779k and the loss for the period after interest received was £698k. The loss per share was 1.2p, down from 2.3p.

Cash balances at 30 September were £3,537k and net funds were £3,152k.

Prospects

Our webservices business continues to show impressive growth and we expect further acquisition opportunities in the next 12 months. Our challenge with NetIntelligence remains to gain visibility, credibility and more key reference customers within the global internet and content security market. The potential rewards of leadership in this field are high and we intend to increase our sales and marketing effort in the next half year.

The group broke even in the month of September and we have confidence in the group's future prospects.

Angus MacSween
Chief Executive Officer
24 November 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

SIX MONTHS ENDED 30 SEPTEMBER 2003

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	6 months ended		Year ended
		Restated	
	30 September 2003 Unaudited £ 000	30 September 2002 Unaudited £ 000	31 March 2003 Audited £ 000
TURNOVER			
Continuing operations	2,772	805	2,174
Acquisitions	132	-	-
Discontinued	-	18	18
Total turnover	2,904	823	2192
Cost of sales	(393)	(126)	(312)
GROSS PROFIT			
Continuing operations	2,388	688	1,871
Acquisitions	123	-	-
Discontinued	-	9	9
Gross profit	2,511	697	1,880
Administrative expenses	(3,247)	(1,988)	(3,809)
Restructuring expenses	(43)	(76)	(466)
Total administrative expenses	(3,290)	(2,064)	(4,275)
OPERATING LOSS			
Continuing operations	(755)	(1,367)	(2,395)
Acquisitions	(24)	-	-
Discontinued	-	-	-
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST	(779)	(1,367)	(2,395)
Net interest	61	99	171
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(718)	(1,268)	(2,224)
Tax on loss on ordinary activities	-	-	334
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD	(718)	(1,268)	(1,890)
Equity minority interests	20	18	18
LOSS FOR THE FINANCIAL PERIOD	(698)	(1,250)	(1,872)
Loss per ordinary share (pence)			
Basic	(1.2p)	(2.3p)	(3.5p)

There have been no recognised gains or losses attributable to the shareholders other than the loss for the current financial period and accordingly, no statement of total recognised gains and losses is shown.

CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 2003

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	30 September 2003 Unaudited £ 000	30 September 2002 Unaudited £ 000	31 March 2003 Audited £ 000
FIXED ASSETS			
Intangible assets	471	221	13
Tangible assets	466	809	376
	937	1,030	389
CURRENT ASSETS			
Debtors	1,406	1,124	793
Cash at bank and in hand	3,537	5,032	4,042
	4,943	6,156	4,835
CREDITORS: amounts falling due within one year	(1,739)	(2,417)	(1,170)
NET CURRENT ASSETS	3,204	3,739	3,665
TOTAL ASSETS LESS CURRENT LIABILITIES	4,141	4,769	4,054
CREDITORS: amounts falling due after more than one year	(268)	(385)	(292)
EQUITY MINORITY INTERESTS	-	30	30
	3,873	4,414	3,792
CAPITAL AND RESERVES			
Called up share capital	592	538	538
Capital redemption reserve	1,200	1,200	1,200
Share premium account	19,812	19,087	19,087
Profit and loss account	(17,731)	(16,411)	(17,033)
TOTAL EQUITY SHAREHOLDERS' FUNDS	3,873	4,414	3,792

This report was approved by the board of directors on 24 November 2003.

The comparative figures for the financial year ended 31 March 2003 are an extract of the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

CONSOLIDATED CASH FLOW STATEMENT

SIX MONTHS ENDED 30 SEPTEMBER 2003

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	Notes	6 months ended 30 September 2003 Unaudited £ 000	6 months ended 30 September 2002 Unaudited £ 000	Year ended 31 March 2003 Audited £ 000
Net cash outflow from operating activities	3	(870)	(1,024)	(1,822)
Returns on investments and servicing of finance				
Bank interest received		63	118	204
Bank and other loan interest paid		-	-	(1)
Finance lease and hire purchase interest paid		(22)	(58)	(32)
Net cash inflow from returns on investments and servicing of finance		41	60	171
Capital expenditure				
Payments to acquire tangible fixed assets		(210)	(43)	(92)
Net cash outflow from capital expenditure		(210)	(43)	(92)
Acquisitions and disposals				
Acquisition of subsidiary	4	(308)	-	-
Net cash acquired with subsidiary		169	-	-
		(139)	-	-
Cash outflow before financing		(1,178)	(1,007)	(1,743)
Financing				
Share placing		779	-	-
Increase in minority share capital		50	-	-
Repayment of hire purchase and finance leases		(156)	(480)	(734)
Net cash inflow/(outflow) from financing		673	(480)	(734)
Decrease in cash in the period		(505)	(1,487)	(2,477)

Reconciliation of net cash flow to movement in net funds

Decrease in cash in period	(505)	(1,487)	(2,477)
Cash outflows from debt and lease financing	156	480	734
Change in net funds from cash flows	(349)	(1,007)	(1,743)
Opening net funds	3,501	5,244	5,244
Closing net funds	3,152	4,237	3,501

1. Accounting policies

The interim financial information does not constitute statutory accounts for the purpose of section 240 of the Companies Act 1985. The figures for the year ended 31 March 2003 have been extracted from the Group accounts for that year. Those financial statements have been delivered to the Registrar of Companies and included an auditors' report, which was unqualified.

The interim financial information has been prepared using the same accounting policies and estimation techniques as set out in the Group accounts for the year ended 31 March 2003.

Certain comparative figures have been re-presented to be consistent with the year end presentation. Turnover has been reduced by £28,000 and cost of sales and administrative expenses have been reduced by £11,000 and £17,000 respectively. This change in presentation has no effect on the loss for the period or the net assets of the group.

2. Diluted earnings per share

FRS 14 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that option holders would act irrationally and there are no other diluting future share issues, diluted EPS has not been presented.

The basic loss per share has been calculated based on the profit on ordinary activities after taxation and the weighted average number of ordinary shares of 0.1p each in issue for the period of six months to 30 September of 55,823,950 (September 2002: 53,795,614 and March 2003: 53,795,614).

3. Reconciliation of operating loss to net cash outflow from operating activities

	6 months ended 30 September 2003 Unaudited £ 000	6 months ended 30 September 2002 Unaudited £ 000	Year ended 31 March 2003 Audited £ 000
Operating loss	(779)	(1,367)	(2,395)
Depreciation	137	245	497
Amortisation of intangible assets	19	58	118
Write down of tangible fixed assets	-	-	230
Write down of intangible fixed assets	-	-	148
(Increase)/decrease in debtors	(573)	(197)	468
Increase/(decrease) in creditors	326	237	(888)
Net cash outflow from operating activities	(870)	(1,024)	(1,822)

4. Purchase of subsidiary

	6 months ended 30 September 2003 Unaudited £ 000	6 months ended 30 September 2002 Unaudited £ 000	Year ended 31 March 2003 Audited £ 000
Net assets acquired:			
Tangible fixed assets	17	-	-
Debtors	40	-	-
Cash at bank	169	-	-
Creditors	(246)	-	-
	(20)	-	-
Goodwill	477	-	-
	457	-	-
Satisfied by:			
Cash	308	-	-
Deferred consideration	149	-	-
	457	-	-

On 24 July 2003 the group acquired 100% of the issued share capital of Web Genie Internet Limited, trading as NicNames, through its 75% subsidiary, iomart Internet Limited.

5. Analysis of change in net funds

	At 31 March 2003 £ 000	Cash flow £ 000	At 30 September 2003 £ 000
Cash at bank and in hand	4,042	(505)	3,537
Finance leases and hire purchase	(541)	156	(385)
Net funds	3,501	(349)	3,152

6. Availability of interim reports

Interim reports will be sent to all shareholders on 2 December 2003. Copies of the interim report will be available for collection from the offices of KBC Peel Hunt Ltd, 62 Threadneedle Street, London, EC2R 8HP, for a period of 1 month from the date of despatch.

INDEPENDENT REVIEW REPORT TO IOMART GROUP PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2003 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, the reconciliation of net cash flow to movement in net funds and related notes 1 to 6. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company, in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent 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 conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are also responsible for ensuring that the accounting polices and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2003.

Deloitte & Touche LLP
Chartered Accountants
Glasgow

24 November 2003

Notes: A review does not provide assurance on the maintenance and integrity of the Group's website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

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

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