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IOMART GROUP PLC INTERIM REPORT

6 months ended 30 September 2005

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iomart Group plc
Interim Results Announcement @ 30.9.05

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 2005.

Financial highlights

- total turnover £10.95m, up 70% on previous year (£6.43m) with annualised sales running at £24m
- profit before tax £1.42m (£0.11m) and fully diluted EPS of 1.79p (0.24p)
- cash balance of £1.39m and net debt of £2.01m (12.5% of shareholders' funds)
- gross margin improved to 82.4% (76.7%)

Operational highlights

- web services business now has 220,000 customers
- UfindUs local search directory successfully established
- Netintelligence fully fledged ASP model for home, SME and corporate application

Prospects

- Continuing organic growth in web services business
- Netintelligence reseller channel and BT partnership provide platform for growth
- Webhosting, online local directories and online security are all growing markets

Nick Kuenssberg, chairman, commented:

"These first half year results are good, demonstrating that the company's business model is effective and profitable.
Developments in web services, focussed on the UfindUs local search directory, and Netintelligence, the on demand security software which addresses the needs of every business on an ASP basis, provide us with considerable scope for further growth.

The second half is historically significantly stronger which, with the impact of recurring growth, gives us confidence for very good results for the full year.

The group's operating performance for the current year may be impacted by delayed sales and the change in revenue recognition for Netintelligence. However due to a likely lower tax charge, results for the full year are likely to be in line with expectations."

Chief Executive Officer's review

The first half has seen continuing organic growth in our webservices business and encouraging progress with Netintelligence.

UfindUs aims to become a leading provider of local internet search services to the small and micro business community, providing all that is required to drive business from the web to those customers. We believe that consumer behaviour in sourcing products and services is moving away from traditional paper sources to online local directories and search engines. We expect strong growth in this market for the foreseeable future; DTI figures suggest that there are still 2.7 million small businesses in the UK without a web presence. With over 40,000 customers we are beginning to establish a significant presence in this local search engine market.

Our improvements to the Easyspace product set and infrastructure have been rewarded by higher customer retention rates and continued growth of new customers.

Netintelligence is now established as an ASP model which provides intelligent security on demand to any computer whenever or wherever that computer connects to the internet. The move to the ASP model and the implied change in revenue recognition defers anticipated turnover. We now have in place multiple channels to market, including telcos, distributors and resellers in addition to web marketing. We have enjoyed limited but important success in both the consumer and business sectors, with growing recurring revenues. We have built good foundations across a wide spectrum, including education, local government and enterprise with a much shorter sales cycle. Our resellers are now becoming active with aggressive sales plans in place alongside training, marketing and technical support. We believe that our 'managed service' platform, which can be white labelled for resellers along with the recurring revenue opportunity, will be appealing to many potential resellers.

Netintelligence, through our BT relationship, has been adopted by 15 ISPs of varying sizes to resell into their customer base. Our aim is to convince the ISP community to bundle Netintelligence with their broadband offerings, and we expect the first bundled contracts to go live in the next six months. We are seeing interest from overseas, particularly the USA, and we expect to see this revenue building in 2006

Financials

Turnover on continuing operations for the period was £10.95m, up from £6.43m, which represents an increase of 70% over the corresponding period last year. Total gross profit margins have increased to 82.4% from 76.7% for the same period last year.

Administrative expenses of £7.50m include a full six months' expenses of Easyspace Limited, which was acquired in September 2004, and reflect the expansion of the webservices business division.

The operating profit for the period was £1.52m (previous year £0.08m) and the net profit was £1.42m (£0.17m). Fully diluted earnings per share were 1.79p compared to 0.24p.

Cash balances at 30 September were £1.39m and net debt was £2.01m.

Prospects

Our markets are real and growing. Our products are proven and market ready. Our second half is historically stronger and we look forward to ongoing growth.

Our challenges are to continue to execute effectively in our webservices business and to stimulate greater revenue growth in Netintelligence.

The group's operating performance for the current year may be impacted by delayed sales and the change in revenue recognition for Netintelligence. However due to a likely lower tax charge, results for the full year are likely to be in line with expectations.

Angus MacSween
Chief Executive Officer

16 November 2005

CONSOLIDATED PROFIT AND LOSS ACCOUNT
SIX MONTHS ENDED 30 SEPTEMBER 2005

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	6 months ended 30.9.05 Unaudited £ 000	6 months ended 30.9.04 Unaudited £ 000	Year ended 31.3.05 Audited £ 000
TURNOVER			
Continuing operations	10,952	6,105	13,775
Acquisitions	-	323	2,828
Total turnover	10,952	6,428	16,603
Cost of sales	(1,928)	(1,496)	(3,513)
GROSS PROFIT			
Continuing operations	9,024	4,722	11,118
Acquisitions	-	210	1,972
Gross profit	9,024	4,932	13,090
Administrative expenses	(7,503)	(4,797)	(11,176)
Restructuring expenses	-	(50)	(113)
Total administrative expenses	(7,503)	(4,847)	(11,289)
OPERATING PROFIT			
Continuing operations	1,521	48	1,137
Acquisitions	-	37	664
OPERATING PROFIT	1,521	85	1,801
Net interest	(104)	22	(77)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,417	107	1,724
Taxation	-	71	1,415
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD	1,417	178	3,139
Equity minority interests	-	(11)	(11)
PROFIT FOR THE FINANCIAL PERIOD TRANSFERRED TO RESERVES	1,417	167	3,128
Proposed dividend	-	-	958
PROFIT FOR THE FINANCIAL PERIOD	1,417	167	2,170
Earnings per ordinary share (pence) (Note 2)			
Basic	1.85p	0.26p	4.45p
Fully diluted	1.79p	0.24p	4.26p
Underlying earnings per ordinary share (pence) (Note 2)			
Basic	1.85p	0.26p	2.74p
Fully diluted	1.79p	0.24p	2.63p

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

CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2005

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	Notes	30.9.05 Unaudited £ 000	30.9.04 Unaudited £ 000	31.3.05 Audited £ 000
FIXED ASSETS				
Intangible assets		13,879	14,588	14,289
Tangible assets		905	626	885
		14,784	15,214	15,174
CURRENT ASSETS				
Debtors	**3**	7,564	3,554	5,256
Deferred tax asset		1,200	-	1,200
Cash at bank and in hand		1,390	2,094	2,033
		10,154	5,648	8,489
CREDITORS: amounts falling due within one year		(6,998)	(5,816)	(6,891)
NET CURRENT ASSETS/(LIABILITIES)		3,156	(168)	1,598
TOTAL ASSETS LESS CURRENT LIABILITIES		17,940	15,046	16,772
CREDITORS: amounts falling due after more than one year		(1,885)	(2,674)	(2,201)
		16,055	12,372	14,571
CAPITAL AND RESERVES				
Called up share capital		770	754	767
Capital redemption reserve		1,200	1,200	1,200
Share premium account		6,172	27,940	6,108
Profit and loss account		7,913	(17,522)	6,496
TOTAL EQUITY SHAREHOLDERS' FUNDS		16,055	12,372	14,571

The comparative figures for the financial year ended 31 March 2005 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.

This report was approved by the board of directors on 16 November 2005.

CONSOLIDATED CASH FLOW STATEMENT

SIX MONTHS ENDED 30 SEPTEMBER 2005

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	Notes	6 months ended 30.9.05 Unaudited £ 000	6 months ended 30.9.04 Unaudited £ 000	Year ended 31.3.05 Audited £ 000
Net cash inflow from operating activities	**4**	274	82	1,057
Returns on investments and servicing of finance				
Bank interest received		14	42	65
Bank and other loan interest paid		(118)	(19)	(142)
Finance lease and hire purchase interest paid		(2)	(11)	(17)
Net cash inflow from returns on investments and servicing of finance		(106)	12	(94)
Taxation		124	4	4
Capital expenditure				
Payments to acquire tangible fixed assets		(275)	(290)	(765)
Acquisitions and disposals				
Purchase of subsidiary undertakings		-	(5,852)	(5,852)
Professional fees in connection with acquisitions		-	(182)	(182)
Payment of deferred consideration		(28)	(92)	(117)
Net cash acquired with subsidiary		-	2,147	2,048
		(28)	(3,979)	(4,103)
Equity dividends paid		(959)	-	-
Cash outflow before financing		(970)	(4,171)	(3,901)
Financing				
Issue of ordinary shares		67	103	327
Professional fees in connection with share exchanges		-	(236)	(236)
Expenses of capital reduction		-	-	(28)
Bank loan (net of arrangement fee)		-	3,465	3,465
Repayment of bank loan		(438)	-	(429)
Repayment of hire purchase and finance leases		(99)	(92)	(190)
Net cash (outflow)/inflow from financing		(470)	3,240	2,909
Decrease in cash in the period		(1,440)	(931)	(992)

Reconciliation of net cash flow to movement in net debt			
Decrease in cash in period	(1,440)	(931)	(992)
Cash (inflows)/outflows from debt and lease financing	537	(3,373)	(2,846)
Change in net funds from cash flows	(903)	(4,304)	(3,838)
Opening net (debt)/funds	(1,104)	2,734	2,734
Closing net debt	(2,007)	(1,570)	(1,104)

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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 2005 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 2005.

2. Earnings per share

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

	6 months ended		Year ended
	30.9.05	30.9.04	31.3.05
	Unaudited	Unaudited	Audited
	£ 000	£ 000	£ 000
Adjusted earnings per share is calculated as follows:			
Profit for the financial period	1,417	167	4,328
Deferred tax credit	-	-	1,200
Underlying earnings	1,417	167	3,128
	Number of shares 000	Number of shares 000	Number of shares 000
Weighted average number of shares:			
For basic earnings per share	76,727	64,712	70,318
Exercise of share options	2,654	3,559	3,067
For diluted earnings per share	79,381	68,271	73,385

3. Debtors

	6 months ended		Year ended
	30.9.05	30.9.04	31.3.05
	Unaudited	Unaudited	Audited
	£ 000	£ 000	£ 000
Trade debtors	2,648	1,212	1,907
Amounts due on deferred payment terms	4,068	1,695	2,603
Other debtors	848	647	746
	7,564	3,554	5,256

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4. Reconciliation of operating profit to net cash inflow from operating activities

	6 months ended 30.9.05 Unaudited	6 months ended 30.9.04 Unaudited	Year ended 31.3.05 Audited
	£ 000	£ 000	£ 000
Operating profit	1,521	85	1,801
Depreciation	255	195	412
Amortisation of intangible assets	410	171	547
Increase in debtors	(2432)	(1,168)	(2,752)
Increase in creditors	520	799	1,049
Net cash inflow from operating activities	274	82	1,057

5. Analysis of change in net debt

	At 31.3.05	Cash flow	At 30.9.05
	£ 000	£ 000	£ 000
Cash at bank and in hand	2,033	(1,440)	593
Bank loan	(3,036)	438	(2,598)
Finance leases and hire purchase	(101)	99	(2)
Net debt	(1,104)	(903)	(2,007)

6. Availability of interim reports

Interim reports will be sent to all shareholders on 2 December 2005. 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

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Introduction

We have been instructed by the company to review the financial information for the six months ended 30 September 2005 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 2005.

Grant Thornton UK LLP
Chartered Accountants
Glasgow

16 November 2005

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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