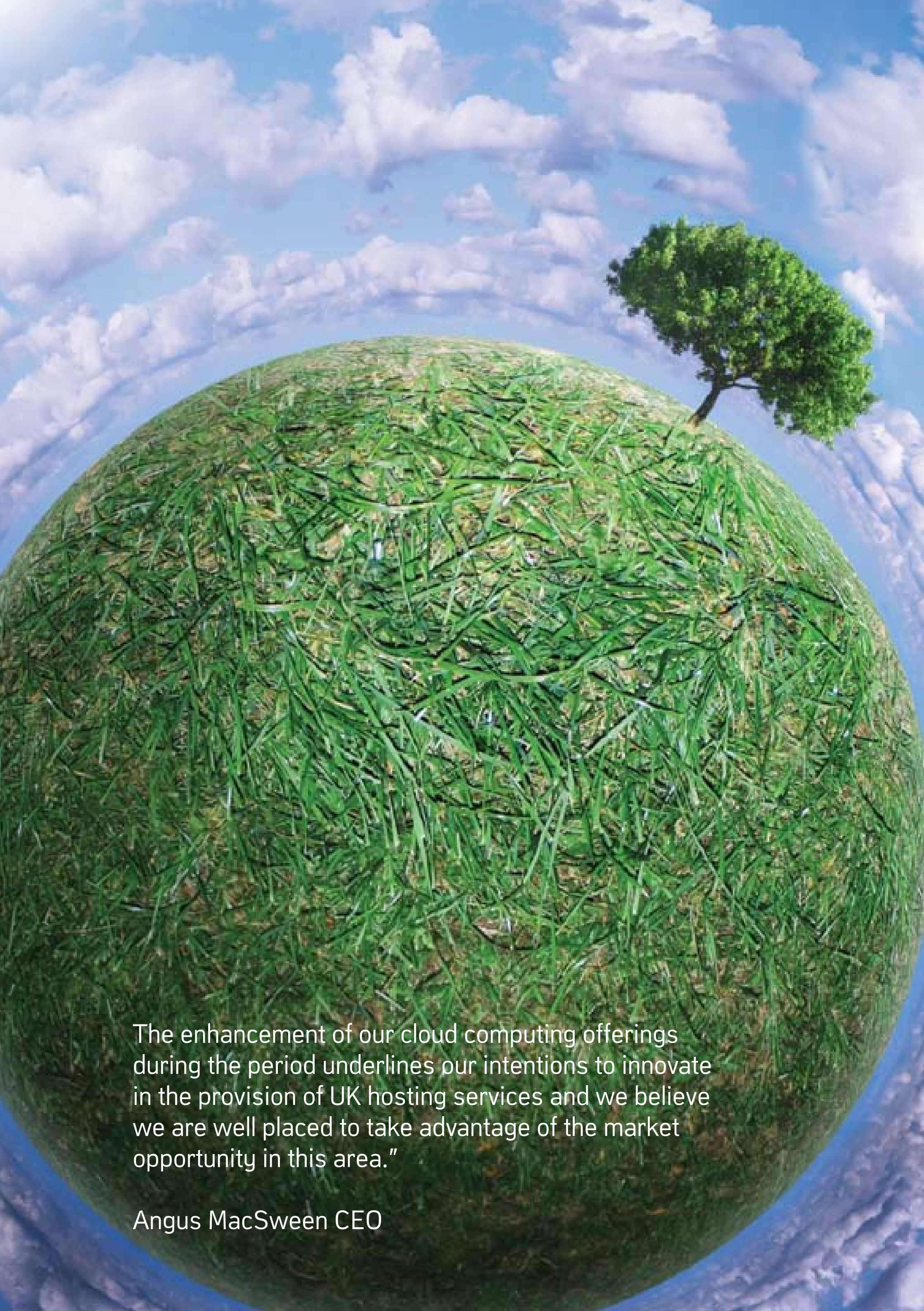
iomart
100% Uptime

Consolidated Half Yearly Results 2009

6 months ended 30 September 2009

The natural choice for hosting



The enhancement of our cloud computing offerings during the period underlines our intentions to innovate in the provision of UK hosting services and we believe we are well placed to take advantage of the market opportunity in this area."

Angus MacSween CEO

Consolidated Half Yearly Results
6 months ended 30 September 2009

Highlights

£1.4 Million profit in period

Financial

- EBITDA profit of £0.84m (H1 2009 loss of £0.36m)
- Revenue growth of 47% to £8.4m (H1 2009 £5.7m)
- Net cash at end of period of £4.5m (H1 2009 £13.7m)
- Acquisition of Rapidswitch for £5.25m

Operational

- Rapidswitch integrated into Group and operations completely migrated into own datacentre in Maidenhead
- iomart Hosting customer base has more than doubled in size from September 2008
- Continuing development of cloud capability with new services launched

iomart
100% Uptime

£1.4M
PROFIT

47%
Increase
in Revenue

£0.84M
EBITDA
PROFIT

100%
Increase
in Managed Hosting Customers

£5.25M
Acquisition of
RapidSwitch

We continue to deliver on our strategy of building a managed hosting business with its own infrastructure and development capability. We are well placed to take advantage of the shift to cloud computing and the trend to outsource mission critical applications and services to trusted and financially strong trading partners.

Angus MacSween, Chief Executive Officer

Introduction

When we took the decision over two and a half years ago to acquire our own datacentre capacity and thereafter to focus on becoming one of the UK's foremost managed hosting groups, we entered a period of investment, which resulted in trading losses, as we established that operation. A significant characteristic of that business was the high level of fixed costs which were incurred almost immediately. Our challenge was to deliver high margin revenue from managed hosting sales to offset these fixed costs. I am delighted to announce that we have now reached the stage where the contribution from such sales more than covers the fixed costs and therefore we have moved into EBITDA profitability for the first time in our iomart Hosting operation. We are now very well placed to continue to grow profits from our operations over the foreseeable future as we continue to win high margin managed hosting sales.

All of our managed hosting brands have performed well over the period. The datacentre owning Hosting operation serving the corporate market achieved more than 100 sales orders in the period with over 60 of these coming from new customers and, most encouragingly, the balance being new orders from existing customers. We are especially pleased that as our customers seek to grow their operations they turn to us, as a trusted supplier, to provide the services needed for that additional growth.

Easyspace, which provides a range of services to the micro and SME market, has performed well in a competitive market environment and has continued to drive profitability through increased operational efficiency.

We are delighted with our acquisition of Rapidswitch during the period. It has a very strong presence in the dedicated server market and has continued to grow revenues and profits since it became part of the Group.

Financial Performance

Revenues from our continuing operations grew 47% to £8.4m (H1 2009 £5.7m). This includes the effect of the acquisition of Rapidswitch on the 11 May with organic revenue growth in the period of 13%.

The EBITDA profit for the period increased substantially to £0.84m (H1 2009 loss of

£0.36m), with £0.63m of this profit being contributed by Rapidswitch. Both our Hosting operation, from the generation of substantial additional revenue and Easyspace, due to better margins, contributed to the EBITDA profit improvement.

The EBITDA profit of £0.84m was reduced to an operating loss of £0.38m (H1 2009 loss of £0.85m) after charges for depreciation of £0.82m (H1 2009 £0.42m), amortisation of intangible assets of £0.22m (H1 2009 £0.06m) and share based payments of £0.19m (H1 2009 £0.02m). The increased depreciation charge is a result of more datacentre capacity coming on-line and additional depreciation on the equipment used in the provision of managed hosting services. The amortisation charge increase reflects a charge for the intangible asset recognised on the acquisition of Rapidswitch and the share based payment charge increase is due to the additional share options issued in the last financial year.

During the period we reached an agreement with the vendor in respect of the deferred consideration due on the acquisition of Ezee DSL whereby the amount payable was reduced from £4.8m to £3.8m.This reduction in deferred consideration resulted in a gain of £1.0m in the period which was offset by costs incurred of £0.13m.

There is a taxation credit in the Income Statement of £0.85m (H1 2009 credit of £0.06m) largely due to the increase in the amount of deferred tax asset recognised at the end of the period in respect of tax losses available within the Group.

Overall our recorded profit for the period was £1.4m (H1 2009 £12.5m, including a gain on disposal of £12.6m and a contribution of £0.50m from discontinued operations) and EPS was 1.37p (H1 2009 12.53p).

Having re-established dividend payments during the period we again intend, provided the remainder of the year turns out as expected, to propose a final dividend for this financial year.

At the end of the period the Group had net cash of £4.5m (H1 2009 £13.7m). During the period the group invested £4.44m in acquiring Rapidswitch, where we also assumed £0.72m of debt, and £2.53m in settling part of the amended deferred consideration and associated costs due on the acquisition of Ezee DSL.

Operational Review

Managed Hosting

Our managed hosting operation has three main trading brands:-

- iomart Hosting, our datacentre owning division servicing the needs of the corporate market;
- Easyspace, which provides a range of products to the micro and SME market; and
- Rapidswitch, which we acquired during the period and which provides dedicated server solutions to the SME market.

We continue to make good progress in iomart Hosting through the provision of managed hosting services to the corporate market with, of course, the excellent news that we moved into recurring EBITDA profitability in the period. We have added in excess of 60 new customers with a heavy bias toward managed hosting services which

"We achieved a major milestone during the period moving into recurring monthly EBITDA profitability in our existing operations, accelerated by the acquisition of Rapidswitch. We have continued to win new business since the end of the period and have good visibility of revenues for the second half of the year. Our current trading is well in line with expectations and we remain confident for the full year."

has improved our overall average rack rate. The level of additional sales to existing customers has also been very pleasing and it is very gratifying that our customers continue to show confidence in our provision of services by rewarding us in this way. The combination of both of these developments has produced a 34% growth in revenues over the September 2008 level. Additionally, there is a strong pipeline of new business despite the economic climate. Whilst we are seeing potential customers carefully examine their budgets and timetables there is still momentum towards delivering secure resilient services over the web and a continuing trend of outsourcing, with a growing recognition that savings can be achieved by outsourcing hardware, applications and skill-sets.

There has been a particular emphasis on enhancing our cloud computing offerings during the period. Using our long experience of delivering services across the web, iomart Hosting is launching a set of "cloud services" into the hosting market using our unique position as a provider of both physical and virtual resources. We intend to continue to innovate in the provision of cloud computing services and believe we are well placed to take advantage of the market opportunity in this area.

Easyspace has performed well in the period and has made an increased contribution to the group at EBITDA level through margin improvement as a result of the introduction of operational efficiencies. The market in which Easyspace participates is both mature and very competitive, especially in the area of domain sales. In addition the strengthening of the US Dollar during the period adversely affected domain gross margins. In light of these circumstances we are very satisfied with the improved contribution of Easyspace to the Group during the period.

Rapidswitch, which we acquired in May, has performed well during the period growing both revenue and profits. Our Maidenhead datacentre became operational in April and during the period all servers were moved from rented datacentre space to this facility. There is no longer any external datacentre rental expenditure incurred by Rapidswitch and this will provide substantial cost savings to the Group in the second half of the financial year. In addition we fitted out a further 3,500 square feet of space to allow for continued expansion of the Group's operations in Maidenhead. The Rapidswitch operation is now fully integrated into the Group and we are already seeing additional opportunities for future benefits within areas such as sales and network integration.

Current trading and outlook

We achieved a major milestone during the period moving into recurring monthly EBITDA profitability in our existing operations, accelerated by the acquisition of Rapidswitch. We have continued to win new business since the end of the period and have good visibility of revenues for the second half of the year. Our current trading is well in line with expectations and we remain confident for the full year.

Angus MacSween, Chief Executive Officer.

"iomart Hosting's own commitment to good environmental management and our experience of their flexible and reliable service was a significant factor in our decision to select them to host our new carbon cutting web site."

Steve Stewart, director of corporate communications at Stagecoach Group

"We are especially pleased that as our customers seek to grow their operations they turn to us, as a trusted supplier, to provide the services needed for that additional growth"

Angus MacSween, Chief Executive Officer.

Consolidated Interim Income Statement. Six months ended 30 September 2009

	Note	Unaudited 6 months to 30/09/09 £'000	Unaudited 6 months to 30/09/08 £'000	Audited Year to 31/03/09 £'000
Continuing operations				
Revenue		8,361	5,701	11,797
Cost of sales		(3,915)	(2,637)	(5,718)
Gross profit		**4,446**	**3,064**	**6,079**
Administrative expenses		(4,830)	(3,921)	(7,728)
Operating loss		**(384)**	**(857)**	**(1,649)**
Analysed as:				
Earnings before interest, tax, depreciation, amortisation and share based payments		**840**	**(355)**	**(318)**
Share based payments		(186)	(23)	(231)
Depreciation		(819)	(419)	(959)
Amortisation		(219)	(60)	(141)
Gain on reduction of deferred consideration on business combination	2	1,000	-	-
Associated costs on gain on reduction of deferred consideration	2	(135)	-	-
Finance income		60	207	497
Finance costs		(24)	(58)	(49)
Profit/(loss) before taxation		**517**	**(708)**	**(1,201)**
Taxation	4	852	63	(731)
Profit/(loss) for the period from continuing operations		**1,369**	**(645)**	**(1,932)**
Discontinued operations				
Profit for the year from discontinued operations		-	516	516
Profit on disposal of discontinued operations		-	12,598	12,598
Net result from discontinued operations		**-**	**13,114**	**13,114**
Total operations				
Profit for the period from total operations attributable to equity holders of the parent		**1,369**	**12,469**	**11,182**
Basic and diluted earnings per share				
Continuing operations				
Basic earnings per share	3	1.37 p	(0.65)p	(1.95)p
Diluted earnings per share	3	1.37 p	(0.65)p	(1.95)p
Total operations				
Basic earnings per share	3	1.37 p	12.53 p	11.27 p
Diluted earnings per share	3	1.37 p	12.41 p	11.17 p

Consolidated Interim Statement of Comprehensive Income. Six months ended 30 September 2009

	Unaudited 6 months to 30/09/09 £'000	Unaudited 6 months to 30/09/08 £'000	Audited Year to 31/03/09 £'000
Profit for the period from total operations	**1,369**	**12,469**	**11,182**
Total comprehensive income for the period	**1,369**	**12,469**	**11,182**
Attributable to equity holders of the parent	**1,369**	**12,469**	**11,182**

Consolidated Interim Balance Sheet. As at 30 September 2009

	Note	Unaudited 30/09/09 £'000	Unaudited 30/09/08 £'000	Audited 31/03/09 £'000
ASSETS				
Non-current assets				
Intangible assets – goodwill	6	20,713	16,550	16,550
Intangible assets – other	6	1,124	292	363
Deferred tax asset	5	648	814	20
Lease deposit		884	884	884
Deferred consideration receivable on disposal		-	1,000	1,000
Property, plant and equipment		11,736	8,591	8,672
		35,105	**28,131**	**27,489**
Current assets				
Cash and cash equivalents		5,458	14,010	13,910
Deferred consideration receivable on disposal		914	1,000	-
Trade and other receivables		2,659	2,092	2,184
		9,031	**17,102**	**16,094**
Total assets		**44,136**	**45,233**	**43,583**
LIABILITIES				
Non-current liabilities				
Deferred consideration due on acquisition	7	-	(4,800)	-
Non-current borrowings		(177)	(96)	(54)
		(177)	**(4,896)**	**(54)**
Current liabilities				
Deferred consideration due on acquisitions	7	(2,350)	-	(4,800)
Trade and other payables		(6,137)	(4,966)	(5,190)
Current borrowings		(776)	(223)	(148)
		(9,263)	**(5,189)**	**(10,138)**
Total liabilities		**(9,440)**	**(10,085)**	**(10,192)**
Net assets		**34,696**	**35,148**	**33,391**
EQUITY				
Share capital		1,002	1,002	1,002
Own shares		(637)	-	(678)
Capital redemption reserve		1,200	1,200	1,200
Share premium		17,583	17,583	17,583
Retained earnings		15,548	15,363	14,284
Total equity		**34,696**	**35,148**	**33,391**

Consolidated Interim Cash Flow Statement. Six months ended 30 September 2009

	Note	Unaudited 6 months to 30/09/09 £'000	Unaudited 6 months to 30/09/08 £'000	Audited Year to 31/03/09 £'000
Profit/(loss) before tax		**517**	**(708)**	**(1,201)**
Gain on reduction of deferred consideration - net		(865)	-	-
Finance income - net		(36)	(149)	(448)
Depreciation		819	419	959
Amortisation		219	60	141
Share based payments		186	23	231
Movement in trade receivables		215	(379)	(453)
Movement in trade payables		(363)	496	1,087
Cash flow from operations		**692**	**(238)**	**316**
Taxation paid		(60)	-	-
Cash generated from discontinued operation		-	463	463
Net cash flow from operating activities		**632**	**225**	**779**
Cash flow from investing activities				
Purchase of property, plant and equipment		(1,580)	(894)	(1,519)
Capitalisation of development costs		(118)	(119)	(238)
Purchase of intangible assets – software		(58)	(8)	(10)
Purchase of intangible assets – domain names		-	-	(31)
Payment for acquisition of subsidiary undertaking	8	(4,440)	-	-
Repayment of borrowings on acquisition of subsidiary undertaking	8	(226)	-	-
Deferred consideration paid on prior period acquisition	7	(2,525)	-	-
Receipt from disposal of discontinued operation		-	14,602	15,235
Net cash acquired with subsidiary undertaking	8	155	-	-
Interest received		155	117	389
Investing activities of discontinued operation		-	(99)	(99)
Net cash (used in)/from investing activities		**(8,637)**	**13,599**	**13,727**
Cash flow from financing activities				
Issue of shares		41	50	50
Repayment of finance leases		(138)	(93)	(210)
Repayment of borrowings		(35)	(436)	(432)
Purchase of own shares		-	-	(678)
Interest paid		(24)	(58)	(49)
Dividends paid		(291)	-	-
Financing activities of discontinued operation		-	(20)	(20)
Net cash used in financing activities		**(447)**	**(557)**	**(1,339)**
Net (decrease)/increase in cash and cash equivalents		**(8,452)**	**13,267**	**13,167**
Cash and cash equivalents at the beginning of the period		13,910	743	743
Cash and cash equivalents at the end of the period		**5,458**	**14,010**	**13,910**

Consolidated Interim Statement of Changes in Equity. Six months ended 30 September 2009

Changes in equity	Share capital £'000	Own shares £'000	Capital redemption reserve £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2008	**994**	**-**	**1,200**	**17,541**	**2,946**	**22,681**
Profit in the period	-	-	-	-	12,469	**12,469**
Share based payments	-	-	-	-	23	**23**
Deferred tax on share based payments	-	-	-	-	(75)	**(75)**
Issue of shares for option redemption	8	-	-	42	-	**50**
Balance at 30 September 2008	**1,002**	**-**	**1,200**	**17,583**	**15,363**	**35,148**
Loss in the period	-	-	-	-	(1,287)	**(1,287)**
Share based payments	-	-	-	-	208	**208**
Acquisition of own shares	-	(678)	-	-	-	**(678)**
Balance at 31 March 2009	**1,002**	**(678)**	**1,200**	**17,583**	**14,284**	**33,391**
Profit in the period	-	-	-	-	1,369	**1,369**
Share based payments	-	-	-	-	186	**186**
Dividends paid	-	-	-	-	(291)	**(291)**
Issue of own shares for option redemption	-	41	-	-	-	**41**
Balance at 30 September 2009	**1,002**	**(637)**	**1,200**	**17,583**	**15,548**	**34,696**

1. Accounting policies

The financial information for the year ended 31 March 2009 set out in this half yearly report does not constitute statutory financial statements as defined in section 240 of the Companies Act 1985. The figures for the year ended 31 March 2009 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 237(2) and (3) of the Companies Act 1985.

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 2010. The Group financial statements for the year ended 31 March 2009 were prepared under International Financial Reporting Standards. These half yearly financial statements have been prepared on a consistent basis and format except for the adoption of IAS 1 ‘Presentation of Financial Statements (Revised 2007)’. The provisions of IAS 34 ‘Interim Financial Reporting’ have not been applied in full.

The adoption of IAS 1 (Revised 2007) does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group’s assets, liabilities, income and expenses is unchanged. IAS 1 (Revised 2007) affects the presentation of owner changes in equity and introduces a ‘Statement of comprehensive income’.

2. Gain on reduction of deferred consideration on business combination

During the period the original deferred consideration due of £4,800,000 on the acquisition of Ezee DSL Limited was subject to a renegotiation with the vendor and was reduced to £3,800,000 (see note 7). This reduction in deferred consideration resulted in a gain of £1,000,000 in the period which was offset by costs incurred of £135,000, of which £125,000 were paid out in the period.

3. Earnings per share

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

Continuing operations	6 months to 30/09/09	6 months to 30/09/08	Year to 31/03/09
	£'000	**£'000**	**£'000**
Profit/(loss) for the financial period and basic earnings attributed to ordinary shareholders	1,369	(645)	(1,932)
	No	**No**	**No**
Weighted average number of ordinary shares:	**000**	**000**	**000**
For basic earnings per share	99,831	99,486	99,183
Exercise of share options	176	-	-
For diluted earnings per share	**100,007**	**99,486**	**99,183**
Basic earnings per share	1.37 p	(0.65)p	(1.95)p
Diluted earnings per share	1.37 p	(0.65)p	(1.95)p

Discontinued operations	6 months to 30/09/09	6 months to 30/09/08	Year to 31/03/09
	£'000	**£'000**	**£'000**
Profit from discontinued operations for the financial period and basic earnings attributed to ordinary shareholders	-	516	516
Profit on disposal of discontinued operation	-	12,598	12,598
Total profit from discontinued operations	-	**13,114**	**13,114**
	No	**No**	**No**
Weighted average number of ordinary shares:	**000**	**000**	**000**
For basic earnings per share	-	99,486	99,183
Exercise of share options	-	961	902
For diluted earnings per share	**-**	**100,447**	**100,085**
Basic earnings per share	-	13.18 p	13.22 p
Diluted earnings per share	-	13.06 p	13.10 p

Total operations	6 months to 30/09/09	6 months to 30/09/08	Year to 31/03/09
	£'000	**£'000**	**£'000**
Profit for the financial period and basic earnings attributed to ordinary shareholders	1,369	12,469	11,182
	No	**No**	**No**
Weighted average number of ordinary shares:	**000**	**000**	**000**
For basic earnings per share	99,831	99,486	99,183
Exercise of share options	176	961	902
For diluted earnings per share	**100,007**	**100,447**	**100,085**
Basic earnings per share	1.37 p	12.53 p	11.27 p
Diluted earnings per share	1.37 p	12.41 p	11.17 p

For periods where the Group made a loss, there was no dilutive effect from the potential exercise of options.

4. Taxation

	6 months to 30/09/09	6 months to 30/09/08	Year to 31/03/09
Tax charge for the period	-	-	-
Deferred tax credit/(charge)	852	63	(731)
Taxation credit/(charge) for the year	**852**	**63**	**(731)**

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

5. Deferred taxation

The Group had recognised deferred tax assets, liabilities and potential unrecognised deferred tax assets as follows:

	30/09/09		30/09/08		31/03/09	
	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000
Tax losses carried forward	2,329	2,502	2,411	2,165	1,590	3,270
Share based remuneration	85	-	127	-	79	-
Deferred tax on acquired assets with no capital allowances	(1,573)	-	(1,724)	-	(1,649)	-
Deferred tax on customer relationships	(193)	-	-	-	-	-
Deferred tax	**648**	**2,502**	**814**	**2,165**	**20**	**3,270**

The movement in the deferred tax account during the period was:

	Tax losses carried forward £'000	Share based remuneration £'000	Deferred tax on acquired assets with no capital allowances £'000	Deferred tax on customer relationships £'000	Total £'000
Balance 1 April 2008	**2,384**	**205**	**(1,763)**	**-**	**826**
Credited/(charged) to income statement in period	27	(3)	39	-	63
Charged directly to equity	-	(75)	-	-	(75)
Balance 30 September 2008	**2,411**	**127**	**(1,724)**	**-**	**814**
(Charged)/credited to income statement in period	(821)	(48)	75	-	(794)
Balance 31 March 2009	**1,590**	**79**	**(1,649)**	**-**	**20**
Acquired on acquisition of subsidiary	-	-	-	(224)	(224)
Credited to income statement in period	739	6	76	31	852
Balance 30 September 2009	**2,329**	**85**	**(1,573)**	**(193)**	**648**

6. Intangible assets

	Goodwill £'000	Development costs £'000	Customer relationships £'000	Software £'000	Domain Names £'000	Total £'000
Cost						
At 1 April 2008	18,525	1,028	-	276	-	19,829
Additions	-	-	-	21	-	21
Development cost capitalised	-	200	-	-	-	200
Derecognised on disposal of subsidiary	(1,975)	(867)	-	(77)	-	(2,919)
At 30 September 2008	**16,550**	**361**	**-**	**220**	**-**	**17,131**
Additions	-	-	-	1	31	32
Development cost capitalised	-	118	-	-	-	118
At 31 March 2009	**16,550**	**479**	**-**	**221**	**31**	**17,281**
Additions	-	-	-	58	-	58
Acquired on acquisition of subsidiary	4,163	-	800	4	-	4,967
Development cost capitalised	-	118	-	-	-	118
At 30 September 2009	**20,713**	**597**	**800**	**283**	**31**	**22,424**
Accumulated amortisation						
At 1 April 2008	-	(359)	-	(225)	-	(584)
Derecognised on disposal of subsidiary	-	378	-	45	-	423
Charge for the period	-	(116)	-	(12)	-	(128)
At 30 September 2008	**-**	**(97)**	**-**	**(192)**	**-**	**(289)**
Charge for the period	-	(72)	-	(7)		(79)
At 31 March 2009	**-**	**(169)**	**-**	**(199)**	**-**	**(368)**
Charge for the period	-	(93)	(109)	(14)	(3)	(219)
At 30 September 2009	**-**	**(262)**	**(109)**	**(213)**	**(3)**	**(587)**
Carrying amount						
At 30 September 2009	**20,713**	**335**	**691**	**70**	**28**	**21,837**
At 31 March 2009	16,550	310	-	22	31	16,913
At 30 September 2008	16,550	264	-	28	-	16,842

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:

Cash Generating Units (CGU)	30/09/09 £'000	30/09/08 £'000	31/03/09 £'000
Easyspace	12,314	12,314	12,314
Rapidswitch	4,163	-	-
Hosting	4,236	4,236	4,236
	20,713	**16,550**	**16,550**

7. Deferred consideration due on acquisitions

	30/09/09 £'000	30/09/08 £'000	31/03/09 £'000
Deferred consideration due on acquisition: non-current			
- Ezee DSL Limited	-	(4,800)	-
Deferred consideration due on acquisitions: current			
- Ezee DSL Limited	(1,400)	-	(4,800)
- Rapidswitch Limited	(950)	-	-
Total deferred consideration due on acquisitions	**(2,350)**	**(4,800)**	**(4,800)**

During the period the original deferred consideration due of £4,800,000 on the acquisition of Ezee DSL Limited was subject to a renegotiation with the vendor. As a result of that the total amount due was reduced to £3,800,000 and the Group returned certain assets to the vendor which had been fair valued to nil in the balance sheet at the time of the acquisition.

Of the total revised deferred consideration of £3,800,000, £2,400,000 was paid together with £125,000 of associated costs during the period and the remaining balance of £1,400,000 is payable in two instalments; £400,000 is due to be paid on 31 December 2009 and £1,000,000 is due to be paid on 27 August 2010. As part of the settlement with the vendor the single share in Ezee DSL Limited held by the vendor has been placed in escrow and will be transferred to iomart Group plc on payment of the final instalment.

8. Acquisition

The Group acquired 100% of the issued share capital of Rapidswitch Limited on 11 May 2009. This transaction has been accounted for by the purchase method of accounting. The book and provisional fair values of the company were as follows:

	Book value £'000	Fair value adjustments £'000	Provisional fair value £'000
Intangible assets	51	753	804
Property, plant and equipment	2,226	-	2,226
Trade and other receivables	785	-	785
Cash and cash equivalents	155	-	155
Trade and other payables	(1,526)	(58)	(1,584)
Deferred taxation	-	(224)	(224)
Other loans	(226)	-	(226)
Finance leases	(425)	-	(425)
Bank loan	(222)	-	(222)
Net assets	**818**	**471**	**1,289**
Goodwill			4,163
Total consideration			**5,452**
Satisfied by:			
Cash			4,440
Deferred consideration			950
Costs associated with acquisition not yet paid			62
			5,452
Net cash outflow arising on acquisition			
Cash consideration			4,440
Cash and cash equivalents acquired			(155)
			4,285

The goodwill arising on the acquisition of Rapidswitch Limited is attributable to the specialised, industry specific knowledge of the management and staff, the benefits to the Group in merging the business with our existing infrastructure and the anticipated future operating synergies from the combination.

8. Acquisition (continued)

Fair value adjustments resulting in a net increase in net assets of £471,000 were made on acquisition. The goodwill of £47,000 within the company was written off and a provision of £58,000 was made for contracted lease payments for data-centre space in excess of the company's ongoing requirements. An intangible asset in respect of existing customer relationships has been recognised at its fair value of £800,000 and a related deferred tax liability of £224,000.

To estimate the fair value of the customer relationships, 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 12% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 5 years.

As part of the investment agreement, other loans of £226,000 were repaid on the date of acquisition. The deferred consideration of £950,000 is due to be paid on 31 March 2010.

Rapidswitch Limited contributed £1,902,000 of revenue and £337,000 of profit before tax to the Group for the period between the acquisition date and the balance sheet date.

If the acquisition of Rapidswitch Limited had been completed on the first day of the financial period, it would have contributed £2,444,000 of revenue and £402,000 of profit before tax to the Group.

9. Analysis of change in net cash/(debt)

	Cash and cash equivalents £'000	Bank overdrafts £'000	Bank loans £'000	Other loans £'000	Finance leases and hire purchase £'000	Total £'000
At 1 April 2008	1,105	(362)	(432)	-	(427)	(116)
Inception of finance leases	-	-	-	-	(9)	(9)
Derecognised on disposal of subsidiary	-	-	-	-	24	24
Cash flow	12,905	362	432	-	93	13,792
At 30 September 2008	**14,010**	**-**	**-**	**-**	**(319)**	**13,691**
Cash flow	(100)	-	-	-	117	17
At 31 March 2009	**13,910**	**-**	**-**	**-**	**(202)**	**13,708**
Inception of finance leases	-	-	-	-	(277)	(277)
Acquired on acquisition of subsidiary	155	-	(222)	(226)	(425)	(718)
Cash flow	(8,607)	-	35	226	138	(8,208)
At 30 September 2009	**5,458**	**-**	**(187)**	**-**	**(766)**	**4,505**

10. Availability of half yearly reports

Half yearly reports will be sent to all shareholders on 15 December 2009. Copies of the half yearly 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 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 2009 which comprises the consolidated interim income statement, the consolidated interim statement of comprehensive income, consolidated interim balance sheet, consolidated interim statement of changes in equity and the consolidated interim cash flow statement and the related notes 1 to 10 set out on pages 6 to 16. 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 2009 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

24 November 2009

"iomart's combined ISO 9001 and ISO 27001 certifications should give customers reassurance that the organisation is committed to customer satisfaction and information security, and have the processes in place to deliver them."

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