9 December 2014

iomart Group plc
(“iomart” or the “Group” or the “Company”)
Half Yearly Results

iomart (AIM:IOM), the cloud computing company, is pleased to report its consolidated half yearly results for the period ended 30 September 2014.

FINANCIAL HIGHLIGHTS

- Revenue growth of 28% to £31.5m (H1 2014: £24.6m)
- Adjusted EBITDA[1] growth of 44% to £14.0m (H1 2014: £9.8m)
- Adjusted profit before tax[2] growth of 27% to £8.0m (H1 2014: £6.3m)
- Adjusted basic earnings per share[3] from operations increased by 26% to 6.15p (H1 2014: 4.89p)
- Cashflow from operations increased by 49% to £13.5m (H1 2014: £9.1m)
- Cashflow from operations 96% of adjusted EBITDA[1] (H1 2014: 93%)
- Adjusted EBITDA[1] margins increased to 44% (H1 2014: 40%)

OPERATIONAL HIGHLIGHTS

- Development of relationships with strategic Tier 1 providers such as Microsoft, EMC and Dell
- Creation of cloud infrastructure and backup operation in the USA
- Acquisition of ServerSpace after end of period for a maximum consideration of £4.25m

Statutory Equivalents

The above highlights are based on adjusted results. A full reconciliation between adjusted and statutory results is contained within this statement. The statutory equivalents of the above results are as follows:

- Profit before tax growth of 26% to £5.5m (H1 2014: £4.4m)
- Basic earnings per share from operations increased by 25% to 4.25p (H1 2014: 3.39p)

Angus MacSween, CEO commented,

“We have demonstrated a further strong performance as we continue to benefit from last year’s acquisitions of Redstation and Backup Technology, and we have made a good start to the second half of the year.
The market opportunity remains large and long term and, in a fast moving and ever evolving industry we have the skills and experience to continue to perform well. Our focus going forward is on continuing to deepen our relationships with the large Tier 1 vendors and their growing trust in our abilities gives me confidence for iomart’ s prospects in the years ahead.”

[1] Throughout this statement adjusted EBITDA is earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges and acquisition costs. Throughout this statement acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.

[2] Throughout this statement adjusted profit before tax is profit before tax, amortisation charges on acquired intangible assets, share based payment charges, mark to mark adjustments in respect of interest rate swaps, acquisition costs and in the prior year the accelerated write off of arrangement fees on the bank borrowing facility which was repaid early.

[3] Throughout this statement adjusted earnings per share is earnings per share before amortisation charges on acquired intangible assets, share based payment charges, mark to market adjustments in respect of interest rate swaps, acquisition costs and in the prior year the accelerated write off of arrangement fees on the bank borrowing facility which was repaid early including the taxation effect of these.

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About iomart Group plc

iomart Group is one of the UK's leading providers of cloud computing services. From a single server through to private cloud networks, iomart specialises in the delivery and management of mission-critical cloud services, enabling customers to reduce the costs, complexity and risks associated with maintaining their own cloud applications.

By physically owning and managing its own infrastructure, including state-of-the-art data centres in eight locations across the UK, and a private fast fibre network, iomart offers world-beating levels of service to its customers. The Group offers a unique 100% uptime guarantee with all hosting services being engineered to ensure no single point of failure.

iomart Group operates in its chosen markets through a number of subsidiaries: iomart Hosting, RapidSwitch, Melbourne Server Hosting, Easyspace, Redstation, Backup Technology and iomartcloud. The Group is listed on the London Stock Exchange's Alternative Investment Market (AIM:IOM). www.iomart.com

Chief Executive's Statement

Introduction

We have again enjoyed a very good trading period with Group revenue having grown by 28% to £31.5m (H1 2014: £24.6m). As we have developed our cloud operations we have always been very focussed on profitability and cash generation. In this period our overall group adjusted EBITDA percentage margin has grown to 44% (H1 2014: 40%) and our Hosting segment adjusted EBITDA percentage margin is now over 50% from a level of 46% in the previous period. We continue to generate very high levels of cash from our operations and in the period our operating cash was 96% of our adjusted EBITDA (H1 2014: 93%).

Operational Review

Whilst all our activities involve the provision of cloud services we currently report in two segments.

Cloud Hosting

The Cloud Hosting operation continues to perform well.

As I have stated previously there is no 'one size fits all' cloud company. There is a level of complexity and a myriad of different requirements and solutions that makes that extremely unlikely. The landscape within which we operate continues to evolve and iomart needs to evolve with it. The most significant trend we are seeing is the maturing and adoption of the large 'public cloud' offerings, primarily Amazon Web Services (AWS) and Microsoft through Azure and Office 365. EMC and VMware are also joining the fray. Whilst the UK is behind the USA in adopting these public clouds they will inevitably be major players in Europe. There is still a huge requirement for physical infrastructure both on and off premise as the shift to the cloud continues to move project by project in line with our 'dripping roast' analogy and we see continuing demand for these 'private' clouds.

The 'hybrid' solution will in our view dominate the cloud scene for the foreseeable future where organisations large and small will use a variety and mixture of solutions to meet their business needs, using both public and private clouds. The combinations are driven by a large number of factors; data security and data sovereignty amongst them, alongside global reach and speed to market within different regulatory environments which can often mean contrarian requirements in this new cloud environment. Our strategy is to ensure we can provide every flavour of cloud, be it Microsoft Azure, Office 365, AWS, vCloud Air, as well as private ring fenced infrastructure, or a mix of more than one of these. iomart's challenge is continuing to position itself as the 'agnostic cloud company', whereby we can centrally control a customer's data and environments and subsequently manage and move seamlessly between any and all of these platforms with a consultative level of knowledge and expertise.

To achieve this we are deepening our relationships with all of the large providers.

- We have become a cloud solution provider (CSP) under Microsoft's new cloud programme;
- We are now a premium Dell partner with active dual marketing campaigns underway;
- We have a number of programmes active with EMC among them being chosen as their exclusive European partner for EMC Hybrid Cloud during the launch phase;
- We have designed our first AWS solutions for potential customers.

The added value of this resides in the software layer, both within these platforms but more importantly in the ability to manage across them effectively. iomart has built tools, control panels and processes to achieve this and this is a big attraction of iomart as far as our partners are concerned. Managing all of the above in a scalable, flexible and efficient manner is complex and is what continues to differentiate iomart in the market.

As noted above we have continued to expand our margins over the last few years. We have very deliberately eschewed revenue without profit opportunities and continue to do so. However, in the longer term, as we begin to mix more public cloud into our offerings we are likely to see an increase in operating expenditure as we pay for the use of the public cloud but this should be offset by lower capital expenditure and therefore as a consequence lower depreciation charges with little net effect on our adjusted profit before tax margins.

This market opportunity remains large and long term. In the past we have described iomart as the Company providing the 'picks and shovels' in this cloud goldrush and the vast bulk of our customers are currently providing or attempting to launch some kind of web facing service or application onwards to their end customers. We see all kinds of companies at all stages of development. Of course as in any goldrush, not everyone finds gold and as we go through an entire business cycle with our customers we have seen casualties amongst our base, some with funding difficulties, some dropping out of markets and some being acquired and integrated elsewhere. Consequently, we have seen a modest increase in customer churn in one of our hosting divisions.

On the other hand many of our customers continue to grow their services with us and some have global requirements with which they are asking us to help.

The sum of all this is that our organic revenue growth in the Hosting segment, whilst still at a satisfactory level of 8%, is slightly lower than we had forecast but we expect this to have minimal impact on the absolute level of adjusted EBITDA and indeed expect a slightly increased adjusted EBITDA margin percentage.

Through our relationship with EMC we have developed a new revenue stream out of the USA whereby we are now managing back up and compute systems in the USA from our Network Operations Centre (NOC) in Glasgow on a 24/7 basis. The customers involved are large organisations with large data requirements and we intend to build on this in the future. We have invested in datacentre space and infrastructure on the east and west coast of the US and in the Far East as well as the Tier 1 relationships talked about earlier. This now gives iomart the necessary tools to establish global reach for our customers.

We see opportunities to grow our backup and disaster recovery operations through our strong bases in Backup Technology Ltd (BTL) which we acquired last year and which uses Asigra back up software to manage complex corporate requirements and through our EMC relationship where we are primarily addressing the very large installed EMC customer base.

Our aim is to do business with larger organisations with more complex requirements as we have found that developing a trusted adviser relationship with them has been the best path to growth.

All of this activity, together with a full period contribution from acquisitions made in the previous period resulted in an increase in the Hosting segment revenue of 37% to £26.1m (H1 2014: £19.1m).

Easyspace

Easyspace has performed well over the period.

The new top-level domains (TLD) which have come on the market have not played out as many in the industry expected but it has had a positive impact on Easyspace as existing customers defensively buy their own names.

Easyspace continues to deliver extremely strong cashflows and profits to the Group.

As a consequence of our activities in the period together with a full period contribution from acquisitions made in previous periods the Easyspace segment revenue remained static at £5.5m (H1 2014: £5.5m).

M&A Activity

There are still opportunities to make attractive acquisitions and if anything the market has been more active of late. As ever we remain focused on making the “right” acquisitions and I’m pleased to report that we completed the acquisition of ServerSpace Limited (“ServerSpace”) last week. This has an initial cost of £2.6m with a further maximum contingent amount of £1.65m due on the achievement of certain levels of performance over the period until September 2015. ServerSpace is a London based cloud hosting provider and will be a good acquisition for the Group.

We remain committed to continuing to complement our organic growth through further acquisitions in the future.

Financial Performance

Revenue

Overall revenues from our operations grew 28% to £31.5m (H1 2014: £24.6m).

Our Hosting segment grew revenues by 37% to £26.1m (H1 2014: £19.1m). The majority of this increase was due to the contribution for the full six month period from the acquisitions of Redstation Limited and BTL in September 2013. Organic growth in the period was 8%.

The Easyspace segment revenues at £5.5m (H1 2014: £5.5m) were the same as in the previous period.

Gross Margin

The gross profit in the period, which is calculated by deducting from revenue variable cost of sales such as domain costs, power and sales commission and the relatively fixed costs of operating our datacentres, increased by 28% to £21.4m (H1 2014: £16.7m). This substantial increase in gross profit was a direct result of the contribution from the additional revenue generated over the period, including the impact of acquisitions. In percentage terms the gross margin was maintained at 68%.

Adjusted EBITDA

The Group's adjusted EBITDA grew by 44% to £14.0m (H1 2014: £9.8m) reflecting a significantly improved performance. Both segments contributed to the improvement although the vast majority of the improvement was delivered by the Hosting segment. In percentage terms the adjusted EBITDA margin increased to 44% (H1 2014: 40%) due to an improved margin in the Hosting segment and a relatively static level of Group overheads.

Hosting improved its adjusted EBITDA by 51% to £13.2m (H1 2014: £8.7m) and also its percentage margin to 51% from 46%. The continued improvement in adjusted EBITDA is largely due to the additional gross margin contribution arising from our sales growth. We continue to add to our staffing levels as we put in place the structure to allow us to continue to grow whilst providing the level of service our customers expect. That investment together with the impact of acquisitions has led to an increase in administrative expenses over the previous period.

Easyspace improved its adjusted EBITDA slightly to £2.43m (H1 2014: £2.42m) and its percentage margin was also slightly higher at 44.6% (H1 2014: 44.3%).

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 of £1.6m have increased modestly in the period (H1 2014: £1.4m).

Adjusted profit before tax

Depreciation charges of £4.9m (H1 2014: £2.9m) have increased substantially as we depreciate our Maidenhead datacentre fit out, the equipment purchased to provide services to our new customers, as a consequence of depreciation charges in the operations we acquired in previous periods and the cloud infrastructure and backup assets we acquired in the USA. The charge for the amortisation of intangible assets, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets") has increased to £0.5m (H1 2014: £0.3m) as a result of charges for backup software licenses and the additional development activity within the enlarged Group.

Net finance costs, excluding the mark to market adjustment on an interest swap on the Company's loans, were £0.7m in the period (H1 2014: £0.3m which also excluded the accelerated write off of arrangement fees on the bank borrowing facility which was repaid early in the prior period) as we reflect the costs of the additional loan facilities obtained during the period and the actual usage of these facilities to fund acquisitions.

After deducting the charges for depreciation, amortisation, excluding the amortisation of acquired intangible assets, and finance costs, excluding the accelerated write off of arrangement fees and the mark to market interest rate swap adjustment, from adjusted EBITDA the adjusted profits for the period before tax increased by 27% to £8.0m (H1 2014: £6.3m).

Profit before tax

The measure of adjusted profit before tax is a non-statutory measure which is commonly used to analyse the performance of companies where M&A activity forms a significant part of their activities.

A reconciliation of adjusted profit before tax to reported profit before tax is shown below:

Reconciliation of adjusted profit before tax to profit before tax	6 months to 30/09/2014	6 months to 30/09/2013	Year to 31/03/2014
Adjusted profit before tax	8,033	6,313	14,612
Share based payments	(365)	(598)	(1,257)
Amortisation of acquired intangible assets	(2,068)	(862)	(3,093)
Acquisition costs	(67)	(351)	(374)
Accelerated write off of arrangement fees on early repayment of facilities	-	(153)	(153)
Mark to market adjustment on interest rate swap	(30)	21	(20)
Profit before tax	**5,503**	**4,370**	**9,715**

The adjusting items are: share based payment charges in the period which decreased to £0.4m (H1 2014: £0.6m) as a result of the charges for share options issued in previous years coming to an end; costs of £0.1m (H1 2014: £0.4m) as a result of acquisitions; charges for the amortisation of acquired intangible assets of £2.1m (H1 2014: £0.9m) which have increased substantially as a result of the full period effect of acquisitions made in previous periods; finance charges of £nil (H1 2014: £0.2m) due to the accelerated release of arrangement fees on bank borrowing facilities which were repaid early during the previous period and finance costs of £0.03m (H1 2014: £0.02m credit) in respect of mark to market adjustments relating to interest rate swaps on the Group's loans.

After deducting the charges for share based payments, the amortisation of acquired intangible assets, acquisition costs and the mark to market adjustment on interest rate swaps from the adjusted profit before tax, the reported profit before tax increased by 26% to £5.5m (H1 2014: £4.4m).

Profit for the period from total operations

There is a tax charge in the period of £1.0m (H1 2014: £0.8m), which comprises a current taxation charge of £1.4m (H1 2014: £1.2m), and a deferred taxation credit of £0.4m (H1 2014: £0.4m). This results in a profit for the period from total operations of £4.5m (H1 2014: £3.6m), an increase of 28%.

Earnings per share

Adjusted basic earnings per share, which is based on profit for the period attributed to ordinary shareholders before share based payment charges, amortisation of acquired intangible assets, the accelerated write off of arrangement fees on early repayment of bank facilities in the previous period, the mark to market adjustment on an interest rate swap and acquisition costs and the tax effect of these items, was 6.15p (H1 2014: 4.89p) an increase of 26%.

The measure of adjusted earnings per share as described above is a non-statutory measure which is commonly used to analyse the performance of companies where M&A activity forms a significant part of their activities.

Basic earnings per share from continuing operations was 4.25p (H1 2014: 3.39p) an increase of 25%.

The calculation of both adjusted earnings per share and basic earnings per share is included at note 3.

Cash flow

The Group generated cash from operations in the period of £13.5m (H1 2014: £9.1m), which is 96% of our adjusted EBITDA (H1 2014: 93%). Expenditure on taxation in the period was £1.3m (H1 2014: £0.5m) resulting in net cash flow from operating activities in the period of £12.2m (H1 2014: £8.6m).

Expenditure on investing activities of £8.3m (H1 2014: £23.6m) was incurred in the period. £6.5m (H1 2014: £6.5m), net of related finance lease drawdown and trade creditors, was incurred on the acquisition of property, plant and equipment principally to provide services to our customers, to acquire cloud infrastructure and backup assets in the USA and to fit out additional datacentre facilities. In respect of M&A activity £1.3m (H1 2014: £0.1m) was paid out for contingent consideration due on acquisitions made in previous periods and £nil (H1 2014: £16.8m) was incurred on acquisitions in the period. We also incurred £0.5m (H1 2014: £0.3m) in respect of the capitalisation of development costs during the period.

There was net cash spent on financing activities of £8.1m (H1 2014: £15.0m cash generated). The Company's borrowing facilities were restructured in the period. Our revolving credit facility was increased from £20m to £35m. From the increased facility we drew down £13.5m (H1 2014: £37.5m) out of which we repaid the outstanding amount of £13.5m on our term loan facility in full and in addition we made other repayments in the period of £1.5m against our term loan facility and £3.5m against our revolving credit facility resulting in total bank loan repayments in the period of £18.5m (H1 2014: £14.0m). We repaid £nil of borrowings in acquired businesses (H1 2014: £5.7m); £0.6m (H1 2014 £0.7m) of finance leases and incurred £0.7m (H1 2014 £0.6m) of finance charges. We also made a dividend payment of £1.9m (H1 2014: £1.5m). As a result cash and cash equivalent balances at the end of the period were £8.8m (H1 2014: £11.4m).

Net Cash/Debt

The net debt position of the Group at the end of the period was £18.9m (H1 2014: £23.5m). This represents a multiple of less one times our annual adjusted EBITDA which we believe is a comfortable level of debt to carry.

Current trading and outlook

The market opportunity remains large and long term and, in a fast moving and ever evolving industry we have the skills and experience to continue to perform well. Our focus going forward is on continuing to deepen our relationships with the large Tier 1 vendors and their growing trust in our abilities gives me confidence for iomart' s prospects in the years ahead.

Angus MacSween
CEO
8 December 2014

Consolidated Interim Statement of Comprehensive Income
Six months ended 30 September 2014

	Note	Unaudited 6 months to 30/09/2014 £'000	Unaudited 6 months to 30/09/2013 £'000	Audited Year to 31/03/2014 £'000
Revenue		31,527	24,551	55,618
Cost of sales		(10,108)	(7,821)	(17,794)
Gross profit		**21,419**	**16,730**	**37,824**
Administrative expenses		(15,250)	(11,906)	(26,767)
Operating profit		**6,169**	**4,824**	**11,057**
Analysed as:				
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payments		**14,026**	**9,768**	**23,611**
Share based payments		(365)	(598)	(1,257)
Acquisition costs	4	(67)	(351)	(374)
Depreciation		(4,872)	(2,878)	(7,170)
Amortisation – acquired intangible assets		(2,068)	(862)	(3,093)
Amortisation – other intangible assets		(485)	(255)	(660)
Finance income		21	32	68
Finance costs	5	(687)	(486)	(1,410)
Profit before taxation		**5,503**	**4,370**	**9,715**
Taxation	6	(964)	(818)	(1,995)
Profit for the period from total operations		**4,539**	**3,552**	**7,720**
Other comprehensive income				
Currency translation differences		(11)	3	3
Other comprehensive expense for the period		**-**	**3**	**3**
Total comprehensive income for the period		**4,528**	**3,555**	**7,723**
Attributable to equity holders of the parent		**4,528**	**3,555**	**7,723**
Basic and diluted earnings per share				
Total operations				
Basic earnings per share	3	4.25 p	3.39 p	7.30 p
Diluted earnings per share	3	4.22 p	3.37 p	7.23 p

Consolidated Interim Statement of Financial Position
As at 30 September 2014

	Note	Unaudited 30/09/2014 £'000	Unaudited 30/09/2013 £'000	Audited 31/03/2014 £'000
ASSETS				
Non-current assets				
Intangible assets – goodwill	7	44,879	44,590	44,879
Intangible assets – other	7	18,272	21,821	19,488
Lease deposit		2,416	2,416	2,416
Property, plant and equipment	8	34,191	30,249	32,533
		99,758	**99,076**	**99,316**
Current assets				
Cash and cash equivalents		8,829	11,377	13,025
Trade and other receivables		8,260	7,662	7,696
		17,089	**19,039**	**20,721**
Total assets		**116,847**	**118,115**	**120,037**
LIABILITIES				
Non-current liabilities				
Non-current borrowings		(1,618)	(16,195)	(13,716)
Provisions for other liabilities and charges		(1,592)	(1,117)	(1,566)
Deferred tax liability		(2,029)	(2,928)	(2,443)
		(5,239)	**(20,240)**	**(17,725)**
Current liabilities				
Contingent consideration due on acquisitions	9	-	(1,432)	(1,271)
Deferred consideration due on acquisitions	10	-	(2,242)	-
Trade and other payables		(15,651)	(13,731)	(15,158)
Current income tax liabilities		(1,975)	(2,126)	(1,868)
Current borrowings		(26,075)	(18,673)	(19,128)
		(43,701)	**(38,204)**	**(37,425)**
Total liabilities		**(48,940)**	**(58,444)**	**(55,150)**
Net assets		**67,907**	**59,671**	**64,887**
EQUITY				
Share capital		1,078	1,078	1,078
Own shares		(549)	(576)	(556)
Capital redemption reserve		1,200	1,200	1,200
Share premium		21,067	21,053	21,067
Merger reserve		4,983	4,983	4,983
Foreign currency translation reserve		(9)	2	2
Retained earnings		40,137	31,931	37,113
Total equity		**67,907**	**59,671**	**64,887**

Consolidated Interim Statement of Cash Flows
Six months ended 30 September 2014

	Unaudited	Unaudited	Audited
	6 months to 30/09/2014	6 months to 30/09/2013	Year to 31/03/2014
	£'000	£'000	£'000
Profit before tax	**5,503**	**4,370**	**9,715**
Finance costs – net	666	454	1,342
Depreciation	4,872	2,878	7,170
Amortisation	2,553	1,117	3,753
Share based payments	365	598	1,257
Exchange movements	-	3	-
Movement in trade receivables	(420)	352	250
Movement in trade payables	(7)	(696)	503
Cash flow from operations	**13,532**	**9,076**	**23,990**
Taxation paid	(1,288)	(520)	(2,277)
Net cash flow from operating activities	**12,244**	**8,556**	**21,713**
Cash flow from investing activities			
Purchase of property, plant and equipment	(6,538)	(6,511)	(11,651)
Capitalisation of development costs	(480)	(260)	(557)
Purchase of intangible assets – software	(55)	(18)	(24)
Proceeds on disposal of property, plant and equipment	-	-	22
Payment for acquisition of subsidiary undertakings net of cash acquired	-	(16,775)	(19,016)
Deferred consideration paid on prior period acquisitions	-	-	(201)
Contingent consideration paid on prior period acquisitions	(1,271)	(125)	(125)
Finance income received	21	70	91
Net cash used in investing activities	**(8,323)**	**(23,619)**	**(31,461)**
Cash flow from financing activities			
Issue of shares	13	120	154
Draw down of bank loans	13,500	37,500	37,500
Repayment of finance leases	(580)	(724)	(1,384)
Repayment of bank loans	(18,500)	(14,000)	(16,503)
Repayment of borrowings on acquisition of business	-	(5,731)	(5,731)
Finance costs paid	(683)	(634)	(1,172)
Dividends paid	(1,867)	(1,483)	(1,483)
Net cash (used in)/generated from financing activities	**(8,117)**	**15,048**	**11,381**
Net (decrease)/increase in cash and cash equivalents	**(4,196)**	**(15)**	**1,633**
Cash and cash equivalents at the beginning of the period	13,025	11,392	11,392
Cash and cash equivalents at the end of the period	**8,829**	**11,377**	**13,025**

Consolidated Interim Statement of Changes in Equity
Six months ended 30 September 2014

Changes in equity	Share capital £'000	Own shares EBT £'000	Own shares Treasury £'000	Foreign currency translation reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2013	**1,058**	**(70)**	**(506)**	**(1)**	**1,200**	**20,936**	**-**	**29,599**	**52,216**
Profit in the period	-	-	-	-	-	-	-	3,552	**3,552**
Currency translation differences	-	-	-	3	-	-	-	-	**3**
Total comprehensive income	**-**	**-**	**-**	**3**	**-**	**-**	**-**	**3,552**	**3,555**
Dividends	-	-	-	-	-	-	-	(1,483)	**(1,483)**
Share based payments	-	-	-	-	-	-	-	598	**598**
Deferred tax on share based payments	-	-	-	-	-	-	-	(335)	**(335)**
Issue of new shares for option redemption	3	-	-	-	-	117	-	-	**120**
Issue of new shares for business acquisition	17	-	-	-	-	-	4,983	-	**5,000**
Total transactions with owners	**20**	**-**	**-**	**-**	**-**	**117**	**4,983**	**(1,220)**	**3,900**
Balance at 30 September 2013	**1,078**	**(70)**	**(506)**	**2**	**1,200**	**21,053**	**4,983**	**31,931**	**59,671**
Profit in the period	-	-	-	-	-	-	-	4,168	**4,168**
Currency translation differences	-	-	-	-	-	-	-	-	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,168**	**4,168**
Share based payments	-	-	-	-	-	-	-	659	**659**
Deferred tax on share based payments	-	-	-	-	-	-	-	354	**354**
Issue of own shares for option redemption	-	-	20	-	-	-	-	1	**21**
Issue of new shares for option redemption	-	-	-	-	-	14	-	-	**14**
Total transactions with owners	**-**	**-**	**20**	**-**	**-**	**14**	**-**	**1,014**	**1,048**
Balance at 31 March 2014	**1,078**	**(70)**	**(486)**	**2**	**1,200**	**21,067**	**4,983**	**37,113**	**64,887**
Profit in the period	-	-	-	-	-	-	-	4,539	**4,539**
Currency translation differences	-	-	-	(11)	-	-	-	-	**(11)**
Total comprehensive income	**-**	**-**	**-**	**(11)**	**-**	**-**	**-**	**4,539**	**4,528**
Dividends	-	-	-	-	-	-	-	(1,867)	**(1,867)**
Share based payments	-	-	-	-	-	-	-	365	**365**
Deferred tax on share based payments	-	-	-	-	-	-	-	(19)	**(19)**
Issue of own shares for option redemption	-	-	7	-	-	-	-	6	**13**
Total transactions with owners	**-**	**-**	**7**	**-**	**-**	**-**	**-**	**(1,515)**	**(1,508)**
Balance at 30 September 2014	**1,078**	**(70)**	**(479)**	**(9)**	**1,200**	**21,067**	**4,983**	**40,137**	**67,907**

Notes to the Half Yearly Financial Information
Six months ended 30 September 2014

1. Accounting policies

The financial information for the year ended 31 March 2014 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 2014 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 auditor's 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 2015. The Group financial statements for the year ended 31 March 2014 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 2014. The provisions of IAS 34 'Interim Financial Reporting' have not been applied in full.

2. Operating segments

Revenue by Operating Segment

	6 months to 30/09/2014			6 months to 30/09/2013			Year to 31/03/2014		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
Easyspace	5,455	-	5,455	5,452	-	5,452	10,959	-	10,959
Hosting	26,072	476	26,548	19,099	464	19,563	44,659	932	45,591
	31,527	**476**	**32,003**	**24,551**	**464**	**25,015**	**55,618**	**932**	**56,550**

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. 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 30/09/2014 £'000	6 months to 30/09/2013 £'000	Year to 31/03/2014 £'000
United Kingdom	26,029	21,832	48,005
Rest of the World	5,498	2,719	7,613
Revenue from operations	**31,527**	**24,551**	**55,618**

2. Operating segments (continued)

Profit by Operating Segment

	6 months to 30/09/2014			6 months to 30/09/2013			Year to 31/03/2014		
	EBITDA before share based payments and acquisition costs	Share based payments, acquisition costs, depreciation & amortisation	Operating profit/(loss)	EBITDA before share based payments and acquisition costs	Share based payments, acquisition costs, depreciation & amortisation	Operating profit/(loss)	EBITDA before share based payments and acquisition costs	Share based payments, acquisition costs, depreciation & amortisation	Operating profit/(loss)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Easyspace	2,432	(210)	2,222	2,417	(309)	2,108	4,953	(605)	4,348
Hosting	13,208	(7,215)	5,993	8,735	(3,686)	5,049	21,700	(10,318)	11,382
Group overheads	(1,614)	-	(1,614)	(1,384)	-	(1,384)	(3,042)	-	(3,042)
Share based payments	-	(365)	(365)	-	(598)	(598)	-	(374)	(374)
Acquisition costs	-	(67)	(67)	-	(351)	(351)	-	(1,257)	(1,257)
	14,026	(7,857)	6,169	9,768	(4,944)	4,824	23,611	(12,554)	11,057
Group interest and tax			(1,630)			(1,272)			(3,337)
Profit for the period	**14,026**	**(7,857)**	**4,539**	**9,768**	**(4,944)**	**3,552**	**23,611**	**(12,554)**	**7,720**

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:

	6 months to 30/09/2014	6 months to 30/09/2013	Year to 31/03/2014
Total Operations			
	£'000	**£'000**	**£'000**
Profit for the financial period and basic earnings attributed to ordinary shareholders	**4,539**	**3,552**	**7,720**
	No	**No**	**No**
Weighted average number of ordinary shares:	**000**	**000**	**000**
Called up, allotted and fully paid at start of period	107,803	105,760	105,760
Own shares held in Treasury	(983)	(1,023)	(1,016)
Shares held by Employee Benefit Trust	(141)	(141)	(141)
New shares issued during the period (weighted average)	10	166	1,101
Weighted average number of ordinary shares – basic	**106,689**	**104,762**	**105,704**
Dilutive impact of share options	980	698	1,005
Weighted average number of ordinary shares – diluted	**107,669**	**105,460**	**106,709**
Basic earnings per share	4.25 p	3.39 p	7.30 p
Diluted earnings per share	4.22 p	3.37 p	7.23 p

Adjusted earnings per share	6 months to 30/09/2014	6 months to 30/09/2013	Year to 31/03/2014
	£'000	**£'000**	**£'000**
Profit for the financial period and basic earnings attributed to ordinary shareholders	4,539	3,552	7,720
- Amortisation of acquired intangible assets	2,068	862	3,093
- Acquisition costs	67	351	374
- Share based payments	365	598	1,257
- Mark to market interest adjustment	30	(21)	20
- Accelerated finance cost due to refinancing	-	153	153
- Tax impact of adjusted items	(511)	(374)	(1,039)
Adjusted profit for the financial period and adjusted basic earnings attributed to ordinary shareholders	**6,558**	**5,121**	**11,578**
Adjusted basic earnings per share	6.15 p	4.89 p	10.95 p
Adjusted diluted earnings per share	6.09 p	4.86 p	10.85 p

4. Acquisition costs

	6 months to 30/09/2014 £'000	6 months to 30/09/2013 £'000	Year to 31/03/2014 £'000
Professional fees	67	351	374
Total acquisition costs for the period	**67**	**351**	**374**

During the period costs of £67,000 (H1 2014: £351,000) were incurred in respect of professional fees on acquisitions.

5. Finance costs

	6 months to 30/09/2014 £'000	6 months to 30/09/2013 £'000	Year to 31/03/2014 £'000
Bank loans	(467)	(224)	(962)
Finance leases	(116)	(110)	(235)
Other interest charges	(74)	(20)	(40)
Mark to market adjustment on interest rate swap	(30)	21	(20)
Accelerated write off of arrangement fees on early repayment of facilities	-	(153)	(153)
Finance costs for the period	**(687)**	**(486)**	**(1,410)**

6. Taxation

	6 months to 30/09/2014 £'000	6 months to 30/09/2013 £'000	Year to 31/03/2014 £'000
Tax charge for the period	(1,395)	(1,231)	(3,002)
Adjustment relating to prior periods	-	18	480
Total current taxation	(1,395)	(1,213)	(2,522)
Origination and reversal of temporary differences	431	295	486
Effect of changes in tax rates	-	100	41
Total deferred taxation credit	431	395	527
Taxation charge for the period	**(964)**	**(818)**	**(1,995)**

The Group has unused tax losses of £2.1m (H1 2014: £4.2m) available for offset against future profits. A deferred tax asset has been recognised in respect of all £2.1m (H1 2014: £4.2m) of these tax losses as they are expected to be used up by taxable profits by the end of the period covered by future projections.

7. Intangible assets

	Goodwill £'000	Development costs £'000	Customer relationships £'000	Software £'000	Beneficial contracts £'000	Domain names & IP addresses £'000	Total £'000
Cost:							
At 1 April 2013	**31,781**	**2,111**	**9,644**	**600**	**86**	**31**	**44,253**
Additions in the period	12,809	-	-	18	-	-	12,827
Acquisition of subsidiaries	-	-	13,335	1,048	-	249	14,632
Development costs capitalised	-	260	-	-	-	-	260
At 30 September 2013	**44,590**	**2,371**	**22,979**	**1,666**	**86**	**280**	**71,972**
Additions in the period	289	-	-	6	-	-	295
Disposal	-	-	-	(15)	-	-	(15)
Development costs capitalised	-	297	-	-	-	-	297
At 31 March 2014	**44,879**	**2,668**	**22,979**	**1,657**	**86**	**280**	**72,549**
Additions in the period	-	-	598	237	-	-	835
Currency translation differences	-	-	18	5	-	-	23
Development costs capitalised	-	480	-	-	-	-	480
At 30 September 2014	**44,879**	**3,148**	**23,595**	**1,899**	**86**	**280**	**73,887**
Accumulated amortisation:							
At 1 April 2013	**-**	**(1,396)**	**(2,478)**	**(534)**	**(5)**	**(31)**	**(4,444)**
Charge for the period	-	(228)	(858)	(24)	(4)	(3)	(1,117)
At 30 September 2013	**-**	**(1,624)**	**(3,336)**	**(558)**	**(9)**	**(34)**	**(5,561)**
Disposal	-	-	-	15	-	-	15
Charge for the period	-	(245)	(2,228)	(132)	(3)	(28)	(2,636)
At 31 March 2014	**-**	**(1,869)**	**(5,564)**	**(675)**	**(12)**	**(62)**	**(8,182)**
Currency translation differences	-	-	(1)	-	-	-	(1)
Charge for the period	-	(300)	(2,065)	(158)	(3)	(27)	(2,553)
At 30 September 2014	**-**	**(2,169)**	**(7,630)**	**(833)**	**(15)**	**(89)**	**(10,736)**
Carrying amount:							
At 30 September 2014	**44,879**	**979**	**15,965**	**1,066**	**71**	**191**	**63,151**
At 31 March 2014	44,879	799	17,415	982	74	218	64,367
At 30 September 2013	44,590	747	19,643	1,108	77	246	66,411

8. 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 2013	837	5,180	11,215	17,138	1,251	43	35,664
Additions in the period	-	4,242	140	1,958	101	-	6,441
Acquisition of subsidiaries	1,225	357	325	4,831	59	5	6,802
Disposals in the period	-	-	-	(138)	-	-	(138)
At 30 September 2013	**2,062**	**9,779**	**11,680**	**23,789**	**1,411**	**48**	**48,769**
Additions in the period	-	1,964	154	4,332	148	-	6,598
Disposals in the period	-	-	-	(54)	-	-	(54)
Reclassification	-	(5,011)	5,011	-	-	-	-
At 31 March 2014	**2,062**	**6,732**	**16,845**	**28,067**	**1,559**	**48**	**55,313**
Additions in the period	-	700	246	5,230	333	-	6,509
Disposals in the period	-	-	-	(36)	-	-	(36)
Currency translation differences	-	-	-	21	-	-	21
At 30 September 2014	**2,062**	**7,432**	**17,091**	**33,282**	**1,892**	**48**	**61,807**
Accumulated depreciation:							
At 1 April 2013	(79)	(1,097)	(3,675)	(10,218)	(679)	(32)	(15,780)
Charge for the period	(11)	(154)	(500)	(2,140)	(71)	(2)	(2,878)
Disposals in the period	-	-	-	138	-	-	138
At 30 September 2013	**(90)**	**(1,251)**	**(4,175)**	**(12,220)**	**(750)**	**(34)**	**(18,520)**
Charge for the period	(26)	(167)	(609)	(3,363)	(93)	(2)	(4,260)
At 31 March 2014	**(116)**	**(1,418)**	**(4,784)**	**(15,583)**	**(843)**	**(36)**	**(22,780)**
Charge for the period	(25)	(279)	(613)	(3,838)	(114)	(3)	(4,872)
Disposals in the period	-	-	-	36	-	-	36
At 30 September 2014	**(141)**	**(1,697)**	**(5,397)**	**(19,385)**	**(957)**	**(39)**	**(27,616)**
Carrying amount:							
At 30 September 2014	**1,921**	**5,735**	**11,694**	**13,897**	**935**	**9**	**34,191**
At 31 March 2014	1,946	5,314	12,061	12,484	716	12	32,533
At 30 September 2013	1,972	8,528	7,505	11,569	661	14	30,249

9. Contingent consideration due on acquisitions

	30/09/2014 £'000	30/09/2013 £'000	31/03/2014 £'000
Contingent consideration due on acquisitions			
- Redstation Limited	-	(1,200)	(1,239)
- Skymarket Limited	-	(232)	(32)
Total contingent consideration due on acquisitions	**-**	**(1,432)**	**(1,271)**

10. Deferred consideration due on acquisitions

	30/09/2014 £'000	30/09/2013 £'000	31/03/2014 £'000
Deferred consideration due on acquisitions			
- Backup Technology Holdings Limited	-	(2,000)	-
- Redstation Limited	-	(242)	-
Total deferred consideration due on acquisitions	**-**	**(2,242)**	**-**

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

	Cash and cash equivalents £'000	Bank loans £'000	Other loans £'000	Finance leases and hire purchase £'000	Total £'000
At 1 April 2013	11,392	(8,848)	-	(2,972)	(428)
Repayment of bank loans	-	14,000	-	-	14,000
New bank loans	-	(37,500)	-	-	(37,500)
Impact of effective interest rate	-	186	-	-	186
Inception of finance leases	-	-	-	(120)	(120)
Acquired on acquisition of subsidiary	1,355	(4)	(5,731)	(334)	(4,714)
Cash flow	(1,370)	-	5,731	724	5,085
At 30 September 2013	**11,377**	**(32,166)**	**-**	**(2,702)**	**(23,491)**
Repayment of bank loans	-	2,500	-	-	2,500
Inception of finance leases	-	-	-	(776)	(776)
Impact of effective interest rate	-	(360)	-	-	(360)
Cash flow	1,648	-	-	660	2,308
At 31 March 2014	**13,025**	**(30,026)**	**-**	**(2,818)**	**(19,819)**
Repayment of bank loans	-	18,500	-	-	18,500
New bank loans	-	(13,500)	-	-	(13,500)
Impact of effective interest rate	-	101	-	-	101
Inception of finance leases	-	-	-	(530)	(530)
Cash flow	(4,196)	-	-	580	(3,616)
At 30 September 2014	**8,829**	**(24,925)**	**-**	**(2,768)**	**(18,864)**

12. Acquisitions

The fair values of acquired assets and liabilities, including goodwill, previously disclosed as provisional for Redstation Limited and Backup Technology Holdings Limited have been finalised in the current period with no changes to the fair values disclosed in the Annual Report and Accounts 2014.

13. Post balance sheet events

On 3 December 2014, the Group acquired the entire issued share capital of ServerSpace Limited for a maximum cash consideration of up to £4.25m on no cash, no debt, and normalised working capital basis. Of the maximum consideration of £4.25m, £2.6m was paid on completion and a further contingent amount of up to £1.65m is payable subject to the achievement of certain levels of performance over the period until 30 September 2015.

14. Availability of half yearly reports

Half yearly reports will be sent to all shareholders on 13 January 2015. 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.

INDEPENDENT REVIEW REPORT TO IOMART GROUP PLC

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 2014 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 14 set out on pages 8 to 18. 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 statements.

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 financial information in the half-yearly report 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 2014 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

8 December 2014