

iomart Group plc.
Report and Financial Statements. 31 March 2005



CONTENTS

| | Page |
|---|------|
| • Officers and professional advisers | 2 |
| • Chairman's statement | 3 |
| • Chief executive officer's report | 4 |
| • Corporate governance | 6 |
| • Report of the board to the members on directors' remuneration | 8 |
| • Directors' report | 11 |
| • Statement of directors' responsibilities | 12 |
| • Board of directors | 13 |
| • Independent auditors' report | 15 |
| • Consolidated profit and loss account | 17 |
| • Consolidated balance sheet | 18 |
| • Company balance sheet | 19 |
| • Consolidated cash flow statement | 20 |
| • Notes to the financial statements | 21 |
| • Notice of annual general meeting | 40 |

OFFICERS AND PROFESSIONAL ADVISERS

Directors

| | |
|-----------------|-------------------------|
| Nick Kuenssberg | Non executive chairman |
| Angus MacSween | Chief executive officer |
| Sarah Haran | Operations director |
| Fred Shedden | Non executive director |
| Bill Dobbie | Non executive director |

Secretary

Stewart Moir

Registered office

Lister Pavilion
Kelvin Campus
West of Scotland Science Park
Glasgow
G20 0SP

Nominated adviser and broker

KBC Peel Hunt Ltd
111 Old Broad Street
London
EC2N 1HP

Bankers

Bank of Scotland
235 Sauchiehall Street
Glasgow
G2 3EY

Solicitors

McGrigors
Pacific House
70 Wellington Street
Glasgow
G2 6SB

Independent Auditors

Grant Thornton UK LLP
95 Bothwell Street
Glasgow
G2 7JZ

Registrars

Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

CHAIRMANS STATEMENT

Financial highlights

- turnover of £16.6m (2004 - £7.4m) with annualised sales running at £20m
- operating profits of £1.8m compared to loss of £0.8m
- basic underlying earnings per share, before deferred tax credit, of 2.7p (2004 - loss per share 1.1p)
- maiden dividend of 1.25p recommended
- deferred tax asset increases post tax profit to £3.1m and shareholders' funds to £14.6m

Operational highlights

- successful integration of Easyspace acquisition
- web-services business with 200,000 customers
- launch of UfindUs directory and TV consumer advertising
- Netintelligence contract with BT Wholesale

Statement

The year 2004/05 has seen your company make real progress in revenue and profit terms, establishing a solid platform for the start of a dividend flow, for future growth and proving the robust nature of its business model.

The group has achieved substantial revenue growth from £7.4m to £16.6m including an 87% increase in continuing operations; current revenues are running at c £20m on an annualised basis. Arising from the ongoing success of the web services business and the successful integration of the September 2004 acquisition of Easyspace which continues to perform up to expectations, the group has achieved an operating profit of £1.8m compared with operating losses of £0.8m in the previous year.

Cashflow has held up well with an outflow restricted to £1.0m after the £12.2m paid for Easyspace, partly funded by a £6.2m share exchange and the cash balances of £2m acquired.

The utilisation of tax losses on current and forecast profits restricts the tax charge and creates a deferred tax asset of £1.2m that is recognised in accordance with generally accepted accounting practice. This increases post tax profit to £3.1m and shareholders' funds to £14.6m.

Following shareholder approval at the 2004 annual general meeting and court approval in January 2005 the share premium of the company has been substantially reduced facilitating the elimination of accumulated losses. Taking into account the profit achieved in the second half of the year and the prospects for the current year the board is delighted to recommend a maiden dividend of 1.25p per share payable on 22 July 2005 to shareholders on the register at 24 June 2005.

It was believed appropriate after six years with the original firm of auditors to reconsider the relationship. It was decided to put the audit and tax services out to tender, a process that was completed by end January 2005 in time for the final audit of the accounts for 2004/05. The audit committee decided that Grant Thornton UK LLP offered the best fit of service, understanding and value and the board is recommending their reappointment to the members.

Similarly five years after coming to the stock exchange, it was appropriate to review the board structure. Your board is recommending the appointment of two of the senior executives of the group, Stuart Forrest and Mark Hallam, this to be effected at the annual general meeting. At the same time Bill Dobbie will be retiring and we would like to thank him for his commitment, inspiration and support as founder, executive and non executive director of the company. The board is recruiting a new non executive director with relevant experience and anticipates making an early announcement.

I would take the opportunity to acknowledge the drive and imagination demonstrated by Angus MacSween, his colleagues and all staff during this challenging year and to thank them in the full confidence that this will be sustained and the results further enhanced.

Nick Kuenssberg
Non-executive chairman

17 May 2005

CHIEF EXECUTIVE OFFICERS REPORT

The past year has seen good progress on all fronts.

We have almost doubled our like for like sales, successfully integrated a significant acquisition and strengthened the positioning of our Netintelligence product set.

We have extended our webservices business further through the launch of our own proprietary UK local directory/search product, UfindUs, which we intend to invest in to create both brand recognition and value.

The web services business is now split into two parts.

- UfindUs which is our own directory service where we provide a web and directory presence to the small and micro business community using our direct telesales force. We have four sales offices in Lancaster, Barrow, Blackpool and Glasgow and in total we employ over 200 direct sales staff.
- Easyspace Limited is the web based domain name and hosting business acquired last autumn which has c.142,000 customers run from our new head office in Glasgow (following the closure of the West Byfleet office) and with a small but effective support office in Bangkok, Thailand. This is a marketing led business which attracts existing and new customers to its web site for a self serve range of web products.

Your board is excited at the launch of the UfindUs localised directory which should build significant shareholder value in the future. We have worked hard to improve the product offering and customer service in Easyspace and continue to effect cost savings identified at acquisition

We are also steadily winning more complex hosting customers as we gain the confidence of larger organisations across the UK.

The Netintelligence product suite for security and content management has been developed further to address home, SME and corporates. The most significant development has been to establish Netintelligence as a hosted service for these three market segments. We have also improved our mailfilter hosted service and we are launching a mailfilter appliance in the first quarter. This means we have effectively moved away from a perpetual license model to a recurring revenue service model in line with our other lines of business. We have also changed to focus on delivering through a small number of active and motivated resellers.

We are very pleased to have established a very close contractual working relationship with BT Wholesale who are targeting the UK broadband market where they provide over five million connections in the UK. BT have signed 5 contracts with smaller ISPs and negotiations are underway with a number of others including several of the top 10.

The SME version of the hosted service launches at the end of May and there is considerable interest from a number of ISPs for this higher value product.

Results

Turnover for the year of £16.6m is made up of £13.8m from ongoing operations, network security and webservices (co-location, hosting, domain names and mail), and £2.8m from acquisitions. This represents over 87% growth in revenues on a like for like basis, the bulk of which has come from our direct sales operation in webservices.

Gross margin at 78.8% overall is consistent with our expectations.

Administrative expenses (excluding restructuring expenses) were £11.3m against £6.6m last year the increase being primarily the costs of additional direct sales staff. Restructuring costs of £0.1m (2004 - £0.04m) were incurred, the majority of which relates to the transfer of the business of Easyspace from their previous base in West Byfleet to Glasgow. During the year we opened another new telesales office in Blackpool and in April of this year the Lancaster sales office moved to larger premises.

A total of £0.8m of capital expenditure was incurred during the year, mainly in respect of the new telesales operation, replacement of older more expensive equipment and additional servers to support the increased levels of business during the year.

The group operating profit was £1.8m compared with a loss of £0.8m in the previous year.

The profit for the year before taxation was £1.7m. There is no liability to corporation tax on the results for the year and research and development tax credits totalling £0.1m are due to be refunded. A deferred tax asset of £1.2m has been recognised in the consolidated accounts in respect of tax losses within one of the subsidiary companies in the expectation that the subsidiary will generate taxable profits in the near future.

This has resulted in a profit after taxation for the year of £3.1m (2004 – loss £0.6m).

CHIEF EXECUTIVE OFFICERS REPORT (CONTINUED)

Minority interests in the profit of iomart Internet Limited, prior to the acquisition of the minority interest amounted to £0.01m, giving a post tax profit for the financial year of £3.1m.

Basic earnings per share for the year were 4.4p compared to a 1.1p loss per share for the previous year and fully diluted earnings per share were 4.3p. Basic underlying earnings per share, excluding the deferred tax credit, were 2.7p.

The directors have proposed a maiden dividend for the year of 1.25p per share.

Cash and borrowings

Cash balances at 31 March 2005 were £2.0m. Borrowings under finance leases amounted to £0.1 m and bank loans totalled £3.0m. The group had no other significant debt outstanding.

Financial instruments

The group's financial instruments comprise cash and liquid resources, bank loans and finance leases together with various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the group's operations. The main risk to the group is interest rate risk arising from floating rate interest rates. The group's borrowings at 31 March 2005 comprise a bank loan of £3.0m and finance leases totalling £0.1m. The interest rate payable on the bank loan is 2.5% above the base rate of Bank of Scotland plc. The interest rate at 31 March 2005 was 7.25% and the average interest rate since the loan was drawn was 7.25%. The interest rate on the finance leases is fixed for the term of the lease and is between 8.83% and 9.25%. All transactions of the holding company and the UK subsidiaries are in UK sterling and the group does not use derivative instruments.

Financial Position

The group's financial position remains strong with sufficient resources to fund the current business plan.

Prospects

Our business model gives us a powerful platform for the future. With the launch of UfindUs as a branded directory we believe our strong organic growth will continue. We are committing to a significant marketing budget to achieve the brand awareness we need and our 200 direct telesales staff facilitate a high level of penetration into the SME business community.

The recurring revenue element within the model remains a powerful driver of growth going forward.

Netintelligence has continued to evolve and is now being taken to market by a growing number of partners, particularly BT who have put significant dedicated resource into this joint opportunity. The potential in the Telco market is very large and not constrained geographically.

We look forward to another year of continuing growth.

Angus MacSween
Chief executive officer

17 May 2005

CORPORATE GOVERNANCE

While the company is listed on the Alternative Investment Market it is not required to comply with the provisions of the Combined Code. However, the board is committed to ensuring that proper standards of corporate governance operate and has established governance procedures and policies that are considered appropriate to the nature and size of the group. Your board considers that at this stage in the group's development, the expense of full compliance with the Combined Code and with the further provisions of the Revised Combined Code is not appropriate although it intends to ensure that it observes the provisions of the revised Code as the group grows, so far as is practicable.

Directors and the board

The board directs the group's activities in an effective manner through regular monthly board meetings and monitors performance through timely and relevant reporting procedures. Where it deems it necessary the board requests reports on specific areas outwith the normal reporting regime. All directors have access to advice from the company secretary and independent professionals at the company's expense. Training is available for new and other directors as necessary.

The board at present comprises two executive and three non-executive directors; resolutions will be proposed at the annual general meeting to appoint two of the group's senior executives as directors. This revised structure will ensure that the size of the board is appropriate to the current dimension and character of the group. The non-executive directors are independent of management and any business or other relationships which could interfere with the exercise of their independent judgement. The roles of chairman and chief executive are separate appointments and it is board policy that this will continue.

The board has established three committees, the audit committee, the remuneration committee and the nominations committee. Membership of both the audit committee and the remuneration committee is exclusively non-executive while membership of the nominations committee comprises the chairman, one non-executive director and the chief executive officer. Nick Kuenssberg is chairman of the audit and nominations committees and Fred Shedden of the remuneration committee. A separate report on directors' remuneration is set out on pages 8 to 10, this to be approved by the shareholders at the annual general meeting.

Under the company's articles of association, the nearest number to one third of the board shall retire each year by rotation.

Accountability and audit

The board considers that the annual report presents a balanced and understandable assessment of the group's performance and prospects.

The audit committee has written terms of reference setting out its authority and duties and has meetings, at which the executive directors also have the right to attend, at least three times a year with the external auditors.

The audit committee reviews the independence and objectivity of the external auditors. The committee reviews the nature and amount of the non-audit work undertaken by the auditors to satisfy itself that there is no effect on their independence. The committee is satisfied that Grant Thornton UK LLP are independent.

Going Concern

On the basis of a review of facilities available to the group together with a review of forecasts, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Internal financial control

The group has established policies covering the key areas of internal financial control and the appropriate procedures, controls, authority levels and reporting requirements which must be applied throughout the group. The key procedures that have been established in respect of internal financial control are as follows:

- Financial reporting: there is in place a comprehensive system of financial reporting based on the annual budget which the board approves. The results for the group as a whole and each business sector are reported monthly, along with an analysis of key variances. Year-end forecasts are updated on a regular basis.
- Investment appraisal: applications for capital expenditure are made in a prescribed format which places emphasis on the commercial and strategic as well as the financial justification. All significant projects require specific board approval.

No system can provide absolute assurance against material misstatement or loss but the group's systems are designed to provide reasonable assurance as to the reliability of financial information, ensuring proper control over income and expenditure, assets and liabilities.

Relations with shareholders

The company values the views of its shareholders and recognises their interest in the group's strategy and performance, board membership and quality of management.

The AGM is used to communicate with all shareholder and investor groups, and they are encouraged to participate. The chairmen of the audit, remuneration and nominations committees are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there are resolutions to receive the annual report and accounts and the report on directors' remuneration. The company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

The company uses its website, www.iomart.com, as a means of providing information to shareholders and other related parties. The company's annual report and accounts, interim reports and other relevant announcements are maintained on the website.

REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS REMUNERATION

The committee has given consideration to the Combined Code issued by the Financial Services Authority in framing its remuneration policy. As the company is listed on the Alternative Investment Market, it is not required to comply with the provisions of Schedule 7a of the Companies Act 1985. The following disclosures are voluntary as is the resolution (1.7) to approve this report at the annual general meeting.

Remuneration Committee

The remuneration committee determines, on behalf of the board, the group's policy for executive remuneration and the individual remuneration packages for executive directors. In setting the group's remuneration policy, the remuneration committee considers a number of factors, including the following:

- salaries and benefits available to executive directors of comparable companies;
- the need to attract and retain executives of an appropriate calibre; and
- the continued commitment of executives to the group's success through appropriate incentive schemes.

The committee meets at least three times each year.

Remuneration of executive directors

The remuneration packages of the executive directors comprise the following elements:

- Base salary

The remuneration committee sets base salaries to reflect responsibilities and the skill, knowledge and experience of the individual. The executive directors do not receive directors' fees.

- Bonus scheme

The executive directors are eligible to receive a bonus on top of basic salary dependent on individual and group performance at the discretion of the remuneration committee.

- Car allowance and other benefits

The executive directors are entitled to a car allowance. No other benefits are provided.

- Pensions

Pension contributions to individuals' personal pension arrangements are payable by the group at the rate of twice the contribution made by the director subject to a maximum employer contribution of 10% of basic salary.

All the executive directors are engaged under service contracts which require a notice period of 12 months.

Remuneration of non-executive directors

The fees paid to the non-executive directors include a basic fee and additional fees in respect of committee chairmanships. These are determined by the board. They are not entitled to receive any bonus or other benefits.

Non-executive directors' letters of appointment are on a six month rolling basis.

REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS REMUNERATION (CONTINUED)

Directors' remuneration

Details of individual directors' emoluments for the year are as follows:

| Name of director | Salary | Bonus | Benefits | Pension | Year | Year |
|----------------------|---------|--------|----------|---------------|----------|----------|
| | or fees | | | contributions | ended | ended |
| | £ | £ | £ | £ | 31 March | 31 March |
| | | | | | 2005 | 2004 |
| | | | | | Total | Total |
| | | | | | £ | £ |
| Executive | | | | | | |
| Angus MacSween | 125,000 | 62,500 | 7,200 | 12,500 | 207,200 | 157,612 |
| Sarah Haran | 80,000 | 79,392 | 7,200 | 8,888 | 175,480 | 113,863 |
| Non-executive | | | | | | |
| Nick Kuenssberg | 27,500 | - | - | - | 27,500 | 22,083 |
| Fred Shedden | 21,250 | - | - | - | 21,250 | 17,083 |
| Bill Dobbie | 20,625 | - | - | - | 20,625 | 36,383 |

Directors' interests in shares

The interests of the directors in the shares of the company at 31 March 2005, together with their interests at 1 April 2004 were as follows:

| Name of director | Number of ordinary shares | |
|------------------|---------------------------|--------------|
| | 31 March 2005 | 1 April 2004 |
| Angus MacSween | 18,395,500 | 17,955,000 |
| Bill Dobbie | 3,521,111 | 9,521,111 |
| Sarah Haran | 246,955 | 237,455 |
| Nick Kuenssberg | 881,777 | 835,777 |
| Fred Shedden | 603,222 | 557,222 |

REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS REMUNERATION (CONTINUED)

Directors' interests in share options

The interests of the directors at 31 March 2005 in options over the ordinary shares of the company were as follows:

| Name of director | 1 April 2004 | Granted in the period | Exercised | 31 March 2005 | Exercise price | Date from which exercisable | Expiry date |
|-------------------------|-------------------------|--------------------------------------|------------------|--------------------------|---------------------------|--|------------------------|
| Angus MacSween | - | 1,750,000 | - | 1,750,000 | 78.5p | 17/11/07 | 17/11/14 |
| Sarah Haran | 159,746 | - | - | 159,746 | 5p | 11/5/00 | 14/12/08 |
| | 159,747 | - | - | 159,747 | 5p | 11/2/01 | 14/12/08 |
| | 159,747 | - | - | 159,747 | 5p | 11/2/02 | 14/12/08 |
| | 100,000 | - | - | 100,000 | 9p | 27/2/05 | 27/2/12 |
| | 50,000 | - | 50,000 | - | 6.25p | 26/7/02 | 26/7/12 |
| | 50,000 | - | 50,000 | - | 6.25p | 26/7/03 | 26/7/12 |
| | 50,000 | - | 50,000 | - | 6.25p | 26/7/04 | 26/7/12 |
| | 133,333 | - | - | 133,333 | 6.25p | 2/7/04 | 2/7/13 |
| | 133,333 | - | - | 133,333 | 6.25p | 2/7/05 | 2/7/13 |
| | 133,334 | - | - | 133,334 | 6.25p | 2/7/06 | 2/7/13 |
| | - | 850,000 | - | 850,000 | 78.5p | 17/11/07 | 17/11/14 |
| | <u>1,129,240</u> | <u>850,000</u> | <u>150,000</u> | <u>1,829,240</u> | | | |

The options granted to Angus MacSween and Sarah Haran at an exercise price of 78.5p, the market value at the time of grant as agreed with the Inland Revenue, will vest over a three year period subject to demanding performance criteria.

No options lapsed during the period. No other directors have been granted share options in the shares of the company or other group companies. The market price of the company's shares at the end of the financial period was 124.5p and the range of prices during the period was between 53.25p and 153p.

By order of the board

Fred Shedden
Chairman, Remuneration committee

17 May 2005

DIRECTORS REPORT

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 March 2005.

Principal activity

The principal activity of the group is the provision of webservices and network security software .

Business review and future developments

A review of the results and development of the business for the year and of future developments in the business is contained within the chairman's statement on page 3 and the chief executive's review on pages 4 and 5.

Dividends

The directors have proposed a dividend of 1.25p per share for the year ended 31 March 2005 (2004 – nil).

Directors and their interests

The present membership of the board is set out on page 2. In accordance with the company's articles of association, Fred Shedden will offer himself for re-election at the forthcoming annual general meeting. Bill Dobbie will not be standing for re-election.

Resolutions will be proposed at the annual general meeting to appoint Stuart Forrest and Mark Hallam, two senior executives of the group, as directors of the company. Details of directors' interests in the company's shares are set out in the report of the board to the members on directors' remuneration on pages 8 to 10.

Substantial shareholdings

At 9 May 2005 the following interests in three per cent or more of the issued ordinary share capital had been notified to the company:

| | Number of ordinary shares | Percentage held |
|-------------------------------------|----------------------------------|------------------------|
| Angus MacSween | 18,395,500 | 24.0% |
| Merrill Lynch Pensions Nominees | 6,555,584 | 8.6% |
| Fleming Mercantile Investment Trust | 4,456,156 | 5.8% |
| Bill Dobbie | 3,521,111 | 4.6% |
| British Steel Pension Scheme | 3,016,500 | 3.9% |
| Majedie Asset UK | 2,928,200 | 3.8% |
| Noble Grossart Investments Limited | 2,925,000 | 3.8% |
| Universities Superannuation Scheme | 2,665,000 | 3.5% |
| New Star Select Opportunities Fund | 2,500,000 | 3.3% |

Employee involvement

A newsletter is sent to all staff providing information on developments within the group including updates on the group's strategy and details of new products and services provided by the group.

Staff are eligible to receive share options in the company under the group's share option schemes and it is the board's policy to make specific option awards as appropriate to attract and retain the best available people.

Employment of disabled persons

Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

DIRECTORS REPORT

Supplier payment policy and practice

The company and its subsidiaries agree the terms of payment when negotiating the terms and conditions for their transactions with their suppliers. Payment is made in compliance with those terms, subject to the terms and conditions of the relevant transaction having been met by the supplier. Trade creditor days of the group at 31 March 2005, calculated in accordance with the requirements of the Companies Act 1985, were 54 days (2004 – 31 days), and of the company were 14 days (2004 – 51 days). This represents the ratio, expressed in days, between the amounts invoiced to the company in the year by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year.

Political and charitable donations

The group made charitable donations totalling £7,000 during the year (2004 - nil). The group made no political donations in either the current or the previous year.

Auditors

During the year Deloitte & Touche LLP resigned as auditors. Grant Thornton UK LLP were appointed to fill the vacancy and have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By order of the board

Stewart Moir
Company secretary

17 May 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the group's system of internal financial control, for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BOARD OF DIRECTORS

Angus MacSween

48, appointed 2000; after a short service commission in the Royal Navy, Angus started his first business selling telephone systems in 1984. Since selling this first business he has established, grown and sold 5 profitable businesses in the telephony and internet sector. Following the sale of Teledata Limited, the UK's leading telephone information services company to Scottish Telecom plc, Angus spent two years on the executive of Scottish Telecom plc where he was responsible for the development of the company's Internet division. In December 1998 Angus founded iomart in conjunction with Bill Dobbie.

Sarah Haran

39, appointed 2000; Sarah has spent her career implementing and managing operations centres for large corporations such as Microsoft Inc, Compaq Inc, Scottish Power plc and Prestel Limited. She joined iomart in 1998, from Scottish Telecom plc and has been responsible for developing the day-to-day business processes and technical operations to support the group's customer base.

Nick Kuenssberg

62, appointed 2000; currently chairman of GAP Group Ltd, Keronite Ltd and Canmore Partnership Ltd and director of Chamberlin & Hill plc, RingProp plc and Amino Technologies plc, previously chairman of Dynacast International Ltd, Stoddard International plc and David A Hall Ltd and other companies and director of Coats Viyella plc, Dawson International plc, Scottish Power plc, Standard Life Assurance Company and others. Chairman of The Glasgow School of Art and Scottish Networks International, deputy chairman of Scottish Environment Protection Agency and previously chairman of ScotlandIS, the IoD, Scotland and visiting professor at Strathclyde Business School.

Fred Shedden

60, appointed 2000; chairman of Halladale Group plc, Martin Currie Japan Investment Trust plc, Wisdom IT Holdings Limited and Good Practice Limited; director of Murray International Trust plc, and Equitable Life Assurance Society; member of The Scottish Further Education Funding Council and of the Board of Glasgow Housing Association Limited; deputy chairman of Glasgow School of Art; formerly senior partner of McGrigors.

Bill Dobbie

46, appointed 2000; Bill spent 9 years with Unisys Inc in a number of technical, sales and marketing roles in the UK and Australasia, prior to joining Angus MacSween at Teledata Limited in 1989. In 1996 joined Scottish Telecom plc as a director, responsible for the company's support centre and internet divisions. In March 1998, Bill was appointed director for Demon Internet Limited following its acquisition by Scottish Telecom plc. In December 1998 Bill founded iomart in conjunction with Angus MacSween. Previously director of several companies acquired by Scottish Telecom plc. Bill is currently managing director of Interactive Digital Entertainment Limited and chairman of Marketwheel Limited.

Proposed for appointment at the annual general meeting

Mark Hallam

Mark's early career was in retail management in the North West of England. He then began a number of small businesses all within the direct sales sector. In 1995 Mark and Stuart Forrest started Business Serve Plc, a business only internet service provider. This company achieved rapid growth and was sold in May 2000. Mark stayed on as sales director until July 2001 when he left to pursue further internet related opportunities and joined iomart in March 2002 as sales director for webservices.

Stuart Forrest

Stuart began his career in financial services in the North West of England. He was involved in several new starts alongside Mark before they jointly formed Business Serve Plc in 1995. Stuart was operations director of Business Serve until its successful sale in 2000. Stuart joined iomart in March 2002 as technical sales director for webservices.

SENIOR MANAGEMENT

| | |
|------------------------|--|
| Angus MacSween | Chief executive officer |
| Stuart Forrest | Technical sales director, webservices |
| Mark Hallam | Sales director, webservices |
| Sarah Haran | Operations director |
| Stewart Moir CA | Financial controller and company secretary |
| Bill Strain | Chief technology officer |
| Phil Worms | Director of marketing |

We have audited the financial statements of iomart Group Plc for the year ended 31 March 2005 which comprise the profit and loss account, the balance sheets, the cash flow statement and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for the preparation of the annual report and financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the chairman's statement, the chief executive officer's report, the corporate governance statement and directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Glasgow

17 May 2005

The maintenance and integrity of the iomart Group plc website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2005

| | Note | Year ended | |
|---|----------|---------------------------|---------------------------|
| | | 31 March 2005 £'000 | 31 March 2004 £'000 |
| TURNOVER | | | |
| Acquisitions | 4 | 2,828 | 771 |
| Continuing operations | 4 | 13,775 | 6,592 |
| Total turnover | | 16,603 | 7,363 |
| Cost of sales | 4 | (3,513) | (1,589) |
| Gross profit | 4 | 13,090 | 5,774 |
| Administrative expenses | | (11,176) | (6,560) |
| Restructuring expenses | | (113) | (43) |
| Total administrative expenses | 4 | (11,289) | (6,603) |
| OPERATING PROFIT/(LOSS) | | | |
| Acquisitions | 4 | 664 | 109 |
| Continuing operations | 4 | 1,137 | (938) |
| Operating profit/(loss) | 5 | 1,801 | (829) |
| Net interest | 7 | (77) | 109 |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | | |
| Tax credit on profit/(loss) on ordinary activities | 8 | 1,724 | (720) |
| | | 1,415 | 123 |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR | | | |
| Equity minority interests | 19 | 3,139 | (597) |
| | | (11) | (59) |
| PROFIT/(LOSS) FOR THE FINANCIAL YEAR | | | |
| Proposed dividend | 22 10 | 3,128 | (656) |
| | | 958 | - |
| RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR TRANSFERRED TO/(FROM) RESERVES | | | |
| | | 2,170 | (656) |
| Earnings/(loss) per ordinary share (pence) | | | |
| Basic | 11 | 4.4p | (1.1p) |
| Diluted | 11 | 4.3p | |
| Underlying earnings/(loss) per ordinary share (pence) | | | |
| Basic | 11 | 2.7p | (1.1p) |
| Diluted | 11 | 2.6p | |

There have been no recognised gains and losses attributable to the shareholders other than the profit/(loss) for the current financial year and preceding financial year and, accordingly, no statement of total recognised gains and losses is shown.

CONSOLIDATED BALANCE SHEET

31 March 2005

| | Note | 2005 £'000 | 2004 £'000 |
|--|------|----------------|----------------|
| FIXED ASSETS | | | |
| Intangible assets | 12 | 14,289 | 748 |
| Tangible assets | 13 | 885 | 517 |
| | | <u>15,174</u> | <u>1,265</u> |
| CURRENT ASSETS | | | |
| Debtors | 15 | 5,256 | 2,145 |
| Deferred tax asset | 20 | 1,200 | - |
| Cash at bank and in hand | | 2,033 | 3,025 |
| | | <u>8,489</u> | <u>5,170</u> |
| CREDITORS: amounts falling due within one year | 16 | <u>(6,891)</u> | <u>(2,070)</u> |
| NET CURRENT ASSETS | | <u>1,598</u> | <u>3,100</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 16,772 | 4,365 |
| CREDITORS: amounts falling due after more than one year | 17 | (2,201) | (220) |
| EQUITY MINORITY INTERESTS | 19 | - | (129) |
| NET ASSETS | | <u>14,571</u> | <u>4,016</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 21 | | |
| Capital redemption reserve | 22 | 767 | 598 |
| Share premium account | 22 | 1,200 | 1,200 |
| Profit and loss account | 22 | 6,108 | 19,907 |
| | 22 | 6,496 | (17,689) |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 23 | <u>14,571</u> | <u>4,016</u> |

These financial statements were approved by the board of directors on 17 May 2005.
Signed on behalf of the board of directors

Angus MacSween
Director and chief executive officer

COMPANY BALANCE SHEET

31 March 2005

| | Note | 2005 £'000 | 2004 £'000 |
|--|------|---------------|---------------|
| FIXED ASSETS | | | |
| Investments | 14 | 16,156 | 1,800 |
| CURRENT ASSETS | | | |
| Debtors | 15 | 8,515 | 4,177 |
| Cash at bank and in hand | | 154 | 2,248 |
| | | 8,669 | 6,425 |
| CREDITORS: amounts falling due within one year | 16 | (5,883) | (552) |
| NET CURRENT ASSETS | | 2,786 | 5,873 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 18,942 | 7,673 |
| CREDITORS: amounts falling due after more than one year | 17 | (2,171) | - |
| NET ASSETS | | 16,771 | 7,673 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 21 | 767 | 598 |
| Capital redemption reserve | 22 | 1,200 | 1,200 |
| Share premium account | 22 | 6,108 | 19,907 |
| Profit and loss account | 22 | 8,696 | (14,032) |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 23 | 16,771 | 7,673 |

These financial statements were approved by the board of directors on 17 May 2005.
Signed on behalf of the board of directors

Angus MacSween
Director and chief executive officer

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2005

| | | Year ended | |
|--|------|---------------------------|---------------------------|
| | Note | 31 March 2005 £'000 | 31 March 2004 £'000 |
| Net cash inflow/(outflow) from operating activities | 24 | 1,057 | (1,311) |
| Returns on investments and servicing of finance | 25 | (94) | 75 |
| Taxation | 25 | 4 | 334 |
| Capital expenditure and financial investment | 25 | (765) | (442) |
| Acquisitions and disposals | 25 | (4,103) | (403) |
| Cash outflow before financing | | (3,901) | (1,747) |
| Financing | 25 | 2,909 | 730 |
| Decrease in cash in the year | | (992) | (1,017) |
| Reconciliation of net cash flow to movement in net (debt)/funds | | | |
| Decrease in cash in the year | | (992) | (1,017) |
| Cash (inflows)/outflows from debt and lease financing | 26 | (2,846) | 250 |
| Change in net (debt)/funds from cash flows | 26 | (3,838) | (767) |
| Opening net funds | | 2,734 | 3,501 |
| Closing net (debt)/funds | 26 | (1,104) | 2,734 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards.

The particular accounting policies adopted are described below and have remained unchanged from the previous year.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries.

Revenue recognition

Revenue from the sale of software licences, domain registration and search engine submission is recognised once the licence or service has been delivered and all significant obligations in relation to the sale have been fulfilled. Revenue from one-off services is recognised on completion.

Revenue from ongoing services, including mail filter, software maintenance, webhosting and colocation, is recognised on a straight line basis over the life of the contract with the unearned portion of the revenue being included in creditors as deferred revenue

Acquisitions and disposals

On the acquisition of a business fair values are attributed to the group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and is capitalised in the group balance sheet in the year of acquisition.

The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition or up to the date of disposal.

Goodwill

Purchased goodwill arising on the acquisition of a business is capitalised in the year in which it arises and amortised over the directors' estimate of its useful economic life, which is between 7 and 20 years.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful economic lives of the assets. The rates of depreciation are as follows:

| | |
|-----------------------------------|-------------------------------|
| Short-term leasehold improvements | 25% per annum |
| Computer software and equipment | Between 20% and 50% per annum |
| Office equipment | 25% per annum |

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

1. ACCOUNTING POLICIES (CONTINUED)

Deferred grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful economic lives of the relevant assets.

Government grants of a revenue nature are credited to the profit and loss account in the same period as related expenditure.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful economic lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate.

Income and expenditure on financial instruments is recognised on the accruals basis and credited or charged to the profit and loss account in the financial period to which it relates.

Pension scheme arrangements

The group operates a stakeholder pension scheme and contributes to a number of personal pension schemes on behalf of executive directors and some senior employees. No other post retirement benefits are provided to employees. Pension costs are charged to the profit and loss account in the period to which they relate.

Development expenditure

Development expenditure is charged to the profit and loss account as incurred.

2. ACQUISITIONS

The company acquired the remaining minority interest in Ufindus Limited (formerly iomart Internet Limited) on 19 May 2004 and the entire issued shareholding of Easyspace Limited on 9 September 2004. Further details are included in Note 27.

3. SEGMENTAL ANALYSIS

The analysis of turnover by destination is as follows:

| | Year ended 31 March 2005 £'000 | Year ended 31 March 2004 £'000 |
|------------------------------|---|---|
| Geographical analysis | | |
| United Kingdom | 16,245 | 7,363 |
| European Union | 126 | - |
| USA | 140 | - |
| Other | 92 | - |
| | <u>16,603</u> | <u>7,363</u> |

The analysis of profit before tax and net assets by geographical segment has not been disclosed as the group's operations comprise one activity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

4. ANALYSES OF OPERATIONS

| | Continuing Year ended 31 March 2005 £'000 | Acquisitions Year ended 31 March 2005 £'000 | Total Year ended 31 March 2005 £'000 | Continuing Year ended 31 March 2004 £'000 | Acquisitions Year ended 31 March 2004 £'000 | Total Year ended 31 March 2004 £'000 |
|-------------------------------|--|--|---|--|--|---|
| Turnover | 13,775 | 2,828 | 16,603 | 6,592 | 771 | 7,363 |
| Cost of sales | (2,657) | (856) | (3,513) | (1,398) | (191) | (1,589) |
| Gross profit | 11,118 | 1,972 | 13,090 | 5,194 | 580 | 5,774 |
| Administrative expenses | (9,949) | (1,227) | (11,176) | (6,132) | (428) | (6,560) |
| Restructuring expenses | (32) | (81) | (113) | - | (43) | (43) |
| Total administrative expenses | (9,981) | (1,308) | (11,289) | (6,132) | (471) | (6,603) |
| Operating profit/(loss) | 1,137 | 664 | 1,801 | (938) | 109 | (829) |

Turnover from continuing operations comprises revenue from network security and webservices, excluding VAT.

5. OPERATING PROFIT/(LOSS)

| | Year ended 31 March 2005 £'000 | Year ended 31 March 2005 £'000 |
|--|--|--|
| Operating profit/(loss) is after charging/(crediting) | | |
| Depreciation of tangible fixed assets: | | |
| Owned assets | 405 | 293 |
| Leased assets | 7 | 27 |
| Amortisation of intangible fixed assets | 547 | 59 |
| Rentals under operating leases | | |
| Land and buildings | 256 | 165 |
| Plant and machinery | 437 | 128 |
| Amortised deferred grant income | (60) | (5) |
| Auditors' remuneration | | |
| - company audit fees | 12 | 11 |
| - group audit fees | 19 | 19 |
| - other services | 30 | 24 |

In addition to the above, fees of £25,000 were charged by the former auditors in connection with the acquisition of Easyspace Limited.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | Year ended 31 March 2005 £'000 | Year ended 31 March 2004 £'000 |
|--|--|--|
| Directors' emoluments | | |
| Aggregate emoluments | 431 | 334 |
| Pension contributions to personal money purchase schemes | 21 | 13 |

Emoluments payable to the highest paid director are as follows:

| | | |
|--|-----|-----|
| Aggregate emoluments | 195 | 148 |
| Pension contributions to personal money purchase schemes | 12 | 10 |

The detailed numerical analysis of directors' remuneration and share options is included in the report of the board to the members on directors' remuneration on pages 8 to 10.

| | No. | No. |
|---|------------|------------|
| Average number of persons employed by the group (including directors): | | |
| Technical | 26 | 25 |
| Customer services | 73 | 34 |
| Sales and marketing | 220 | 152 |
| Administration | 34 | 21 |
| | <u>353</u> | <u>232</u> |

Number of persons employed by the group at the year end

| | | |
|---------------------|------------|------------|
| Technical | 24 | 27 |
| Customer services | 89 | 47 |
| Sales and marketing | 234 | 178 |
| Administration | 38 | 26 |
| | <u>385</u> | <u>278</u> |

Staff costs during the year in respect of employees and directors were:

| | | |
|-----------------------|--------------|--------------|
| Wages and salaries | 6,707 | 4,800 |
| Social security costs | 770 | 436 |
| Other pension costs | 26 | 13 |
| | <u>7,503</u> | <u>5,249</u> |

The group operates a stakeholder pension scheme for the benefit of employees who wish to participate.

There are no other company or group pension schemes. However the group makes contributions to executive directors' and some senior employees' personal pension schemes.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

7. NET INTEREST

| | Year ended 31 March 2005 £'000 | Year ended 31 March 2004 £'000 |
|--|--|--|
| Investment income: | | |
| Bank interest receivable | 65 | 112 |
| Interest payable and similar charges: | | |
| Bank overdraft and other borrowings | (142) | - |
| Finance leases | - | (3) |
| | (142) | (3) |
| Net interest | (77) | 109 |

8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

| | Year ended 31 March 2005 £'000 | Year ended 31 March 2004 £'000 |
|-------------------------------------|--|--|
| Research and development tax credit | 141 | 123 |
| Tax credit | 74 | - |
| Deferred tax credit | 1,200 | - |
| | 1,415 | 123 |

A deferred tax asset has been recognised in the consolidated accounts in respect of tax losses within one of the subsidiary companies in the expectation that the subsidiary will generate taxable profits in the near future.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (CONTINUED)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax is as follows:

| | Year ended 31 March 2005 £'000 | Year ended 31 March 2004 £'000 |
|---|--|--|
| Profit/(loss) on ordinary activities before tax | 1,724 | (720) |
| Tax charge/(credit) @ 30% | 517 | (216) |
| Non qualifying depreciation | 7 | 24 |
| Disallowed expenditure | 87 | 4 |
| Deferred tax movement not provided | 658 | 108 |
| Movement in short term timing differences | 14 | (2) |
| Consolidation adjustments | 2 | (18) |
| Utilisation of tax losses | (2,291) | - |
| Rate differences | 124 | 31 |
| Capital allowances in excess of depreciation | (53) | 10 |
| Statutory deductions on exercise of share options | (480) | (64) |
| | <u>(1,415)</u> | <u>(123)</u> |

There is no tax charge in the year due to the availability of losses. Unrelieved losses of £12.1 million (2004 - £13.8 million) are carried forward and are available to reduce the tax liability in respect of suitable future trading profits.

Research and development tax credits have been claimed in respect of expenditure incurred on the development of the group's Netintelligence software. These credits are at the rate of 16% of the amount of expenditure allowed as a deduction from taxable income, which is 150% of the development expenditure incurred.

Deferred tax

The group had recognised deferred tax assets and potential unrecognised deferred tax assets as follows:

| | Year ended 31 March 2005 | | Year ended 31 March 2004 | |
|----------------------------|-----------------------------|--------------|-----------------------------|--------------|
| | Recognised | Unrecognised | Recognised | Unrecognised |
| Tax losses carried forward | <u>1,200</u> | <u>2,430</u> | <u>-</u> | <u>4,500</u> |

9. PROFIT/(LOSS) OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year before dividends was £1,671,000 (2004 – loss £50,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

10. PROPOSED DIVIDENDS

The directors have proposed a dividend of 1.25p per share.

| | Year ended 31 March 2005 £'000 | Year ended 31 March 2004 £'000 |
|---------------------------------------|--|--|
| Equity dividends | | |
| Dividends proposed on ordinary shares | 958 | - |

11. EARNINGS/(LOSS) PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

FRS 14 requires presentation of diluted EPS to reflect all outstanding share options where their future exercise would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that option holders would act irrationally and there were no other diluting future share issues, diluted EPS has not been presented for the year ended 31 March 2004.

| | Year ended 31 March 2005 £'000 | Year ended 31 March 2004 £'000 |
|---|--|--|
| Profit/(loss) for the financial period and basic earnings attributed to ordinary shareholders | 3,128 | (656) |
| Less deferred tax credit | (1,200) | - |
| Underlying earnings/(loss) | 1,928 | (656) |
| | No 000 | No 000 |
| Weighted average number of ordinary shares: | | |
| For basic earnings/(loss) per share | 70,318 | 57,649 |
| Exercise of share options | 3,067 | - |
| For diluted earnings per share | 73,385 | - |
| Basic earnings/(loss) per share | 4.4p | (1.1p) |
| Fully diluted earnings per share | 4.3p | - |
| Basic underlying earnings/(loss) per share | 2.7p | (1.1p) |
| Fully diluted underlying earnings per share | 2.6p | - |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

12. INTANGIBLE ASSETS

| The group | Goodwill £'000 |
|---------------------------------|---------------------------|
| Cost | |
| At 1 April 2004 | 1,771 |
| Additions in the year (Note 27) | 14,088 |
| Written off in year | (684) |
| | <hr/> |
| At 31 March 2005 | 15,175 |
| | <hr/> |
| Accumulated amortisation | |
| At 1 April 2004 | 1,023 |
| Charge for the year | 547 |
| Written back in year | (684) |
| | <hr/> |
| At 31 March 2005 | 886 |
| | <hr/> |
| Net book value | |
| At 31 March 2005 | 14,289 |
| | <hr/> |
| At 31 March 2004 | 748 |
| | <hr/> |

Goodwill arose during the year as a result of the purchase of the minority interest in UfindUs Limited and the entire shareholding of Easyspace Limited as disclosed in note 27.

The write off of goodwill and the write back of amortisation in the year, which have no effect on the results for the year, relate to NSL Internet Limited (see note 14).

13. TANGIBLE FIXED ASSETS

| The group | Leasehold improvements £'000 | Computer software & equipment £'000 | Office equipment £'000 | Total £'000 |
|---------------------------------|---|--|---------------------------------------|------------------------|
| Cost | | | | |
| At 1 April 2004 | 197 | 2,739 | 334 | 3,270 |
| Acquired with subsidiaries | - | 76 | - | 76 |
| Additions in the year | 118 | 487 | 160 | 765 |
| Disposals | - | (59) | (15) | (74) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2005 | 315 | 3,243 | 479 | 4,037 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Accumulated depreciation | | | | |
| At 1 April 2004 | 174 | 2,326 | 253 | 2,753 |
| Acquired with subsidiaries | - | 61 | - | 61 |
| Disposals | - | (59) | (15) | (74) |
| Charge for the year | 24 | 320 | 68 | 412 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2005 | 198 | 2,648 | 306 | 3,152 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net book value | | | | |
| At 31 March 2005 | 117 | 595 | 173 | 885 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2004 | 23 | 413 | 81 | 517 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

13. FIXED ASSETS (CONTINUED)

The net book value of the group's tangible fixed assets does not include any amounts in respect of assets held under finance leases (2004 – leasehold improvements £7,000).

14. INVESTMENTS HELD AS FIXED ASSETS

| The company | Shares in subsidiary undertakings £'000 |
|-----------------------------|--|
| Cost | |
| At 1 April 2004 | 1,825 |
| Additions during the year | 14,356 |
| Written off during the year | (25) |
| | <hr/> |
| At 31 March 2005 | 16,156 |
| | <hr/> |
| Provision | |
| At 1 April 2004 | 25 |
| Written back in the year | (25) |
| | <hr/> |
| At 31 March 2005 | - |
| | <hr/> |
| Net book value | |
| At 31 March 2005 | 16,156 |
| | <hr/> |
| At 31 March 2004 | 1,800 |
| | <hr/> |

All of the above investments are unlisted.

During the year the directors decided that the company's dormant subsidiary, NSL (Internet) Limited, was no longer required and applied to Companies House to have the company struck off. The investment in NSL (Internet) Limited, against which full provision had previously been made, was therefore written off during the year.

The following subsidiaries have been consolidated in the group financial statements:

| | Country of registration and operation | Activity | Ordinary share capital | |
|---|--|------------------|---------------------------------------|---|
| | | | Owned by the company % | Owned by subsidiary undertakings % |
| Netintelligence Limited (formerly iomart Limited) | Scotland | Network security | 100 | |
| iomart Limited (formerly Netintelligence Limited) | Scotland | Dormant | | 100 |
| Ufindus Limited (formerly iomart Internet Limited) | England | Webservices | 100 | |
| Web Genie Internet Limited | England | Webservices | | 100 |
| Internetters Limited | England | Webservices | | 100 |
| NicNames Limited | England | Dormant | | 100 |
| Easyspace Limited | England | Webservices | 100 | |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

15. DEBTORS

| | 2005 | 2004 |
|---|--------------|--------------|
| | £'000 | £'000 |
| The group | | |
| Trade debtors | 4,510 | 1,631 |
| Other debtors | 149 | 89 |
| Prepayments and accrued income | 333 | 302 |
| Research and development tax credit | 264 | 123 |
| | <hr/> | <hr/> |
| | 5,256 | 2,145 |
| | <hr/> | <hr/> |
| The company | | |
| Prepayments and accrued income | 64 | 30 |
| Amounts owed by subsidiary undertakings | 8,451 | 4,147 |
| | <hr/> | <hr/> |
| | 8,515 | 4,177 |
| | <hr/> | <hr/> |

The company's debtors include an amount of £750,000 owed by a subsidiary, which is repayable after more than one year.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2005 | 2004 |
|--|--------------|--------------|
| | £'000 | £'000 |
| The group | | |
| Obligations under finance leases (note 18) | 101 | 188 |
| Bank loan (note 18) | 865 | - |
| Trade creditors | 983 | 458 |
| Corporation tax | 169 | - |
| Other taxation and social security | 1,350 | 472 |
| Other creditors | 69 | 60 |
| Deferred consideration | 34 | 124 |
| Deferred grants | 60 | 60 |
| Accruals and deferred income | 2,302 | 708 |
| Proposed dividend | 958 | - |
| | <hr/> | <hr/> |
| | 6,891 | 2,070 |
| | <hr/> | <hr/> |
| The company | | |
| Bank loan | 865 | - |
| Trade creditors | 19 | 14 |
| Other taxation and social security | 504 | 290 |
| Other creditors | - | 60 |
| Accruals and deferred income | 49 | - |
| Amounts owed by subsidiary undertakings | 3,488 | 188 |
| Proposed dividend | 958 | - |
| | <hr/> | <hr/> |
| | 5,883 | 552 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2005 | 2004 |
|--|--------------|--------------|
| | £'000 | £'000 |
| The group | | |
| Obligations under finance leases (note 18) | - | 103 |
| Bank loan (note 18) | 2,171 | - |
| Deferred consideration | - | 27 |
| Deferred grants | 30 | 90 |
| | <u>2,201</u> | <u>220</u> |
| The company | | |
| Bank loan | <u>2,171</u> | <u>-</u> |

18. BORROWINGS

| | 2005 | 2004 |
|----------------------------------|--------------|--------------|
| | £'000 | £'000 |
| The group | | |
| Obligations under finance leases | 101 | 291 |
| Bank loan | 3,036 | - |
| | <u>3,137</u> | <u>291</u> |

The obligations under finance leases are secured by the related assets and are repayable as follows:

| | | |
|--------------------------------|------------|------------|
| Due within one year | 101 | 188 |
| Due between two and five years | - | 103 |
| | <u>101</u> | <u>291</u> |

The bank loan is secured by debentures and floating charges over all the assets of the company and each of its subsidiaries and by cross guarantees by all group companies and is repayable as follows:

| | | |
|--------------------------------|--------------|----------|
| Due within one year | 865 | - |
| Due between one and two years | 867 | - |
| Due between two and five years | 1,304 | - |
| | <u>3,036</u> | <u>-</u> |

The bank loan bears interest at 2.5% above the base rate of Bank of Scotland plc.

19. MINORITY INTERESTS

The equity minority interest which comprised 100,000 ordinary shares of £1 each, representing 25% of the total issued share capital in Ufindus Limited (formerly iomart Internet Limited), was purchased by the company during the year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

20. DEFERRED TAX

The deferred tax included in the balance sheet is as follows:

| The group | 2005 | 2004 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Included in debtors | 1,200 | - |
| | <u>1,200</u> | <u>-</u> |
| The movement in the deferred tax account during the year was: | | |
| Profit and loss account movement arising during the year | 1,200 | - |
| | <u>1,200</u> | <u>-</u> |
| Balance carried forward | 1,200 | - |
| | <u>1,200</u> | <u>-</u> |

The deferred tax balance represents tax losses within one of the subsidiary companies in the expectation that the subsidiary will generate taxable profits in the near future.

21. SHARE CAPITAL

| The company | Ordinary shares of 1p each | |
|---|-----------------------------------|--------------|
| | Number of shares | £'000 |
| Authorised | | |
| At 31 March 2004 and 31 March 2005 | 100,000,000 | 1,000 |
| | <u>100,000,000</u> | <u>1,000</u> |
| Called up, allotted and fully paid | | |
| At 31 March 2004 | 59,784,354 | 598 |
| Purchase of minority interest | 3,200,000 | 32 |
| Share exchange | 11,574,075 | 116 |
| Exercise of options | 2,104,796 | 21 |
| | <u>76,663,225</u> | <u>767</u> |
| At 31 March 2005 | 76,663,225 | 767 |
| | <u>76,663,225</u> | <u>767</u> |

On 19 May 2004 the company issued an additional 3,200,000 ordinary shares of 1p each, at a total value of £2,072,000 as part settlement of the purchase of the minority interest in Ufindus Limited.

On 9 September 2004 the company issued an additional 11,574,075 ordinary shares of 1p each at a total value of £6,250,000 to part fund the purchase of Easyspace Limited as shown in note 27.

During the year the company issued an additional 2,104,796 ordinary shares of 1p each in respect of the exercise of options, for which a net total of £327,000 was received.

The difference between the nominal value of the shares issued and the net issue price has been credited to share premium account.

The company operates an approved share option scheme, an enterprise management incentive scheme and an unapproved share option scheme.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

21. SHARE CAPITAL (CONTINUED)

At 31 March 2005, 32 employees, 2 directors and 4 former employees held share options as follows:

| | Number of shares | Exercise price per share | Date from which exercisable | Expiry date |
|---|-----------------------------|---|--|--------------------|
| Approved scheme | 43,000 | 44.00p | 24/1/2004 | 24/1/2011 |
| | 197,500 | 13.50p | 26/9/2004 | 26/9/2011 |
| | 23,888 | 11.75p | 31/10/2004 | 31/10/2011 |
| | 100,000 | 9.00p | 27/2/2005 | 27/2/2012 |
| Enterprise management incentive scheme | 266,666 | 6.25p | 26/7/2002 | 26/7/2012 |
| | 266,666 | 6.25p | 26/7/2003 | 26/7/2012 |
| | 266,668 | 6.25p | 26/7/2004 | 26/7/2012 |
| | 261,667 | 6.25p | 2/7/2004 | 2/7/2013 |
| | 270,000 | 6.25p | 2/7/2005 | 2/7/2013 |
| | 270,000 | 6.25p | 2/7/2006 | 2/7/2013 |
| | 6,666 | 78.50p | 17/11/2005 | 17/11/2014 |
| | 6,667 | 78.50p | 17/11/2006 | 17/11/2014 |
| | 590,485 | 78.50p | 17/11/2007 | 17/11/2014 |
| Unapproved scheme | 62,500 | 13.50p | 26/9/2001 | 26/9/2011 |
| | 15,000 | 13.50p | 31/1/2003 | 26/9/2011 |
| | 50,000 | 11.75p | 31/10/2001 | 31/10/2011 |
| | 33,333 | 6.25p | 27/6/2002 | 27/6/2007 |
| | 33,333 | 6.25p | 27/6/2003 | 27/6/2007 |
| | 33,334 | 6.25p | 27/6/2004 | 27/6/2007 |
| | 50,000 | 15.00p | 24/7/2004 | 24/7/2007 |
| | 50,000 | 15.00p | 24/7/2005 | 24/7/2007 |
| | 4,256,182 | 78.50p | 17/11/2007 | 17/11/2014 |
| Other unapproved options | 276,886 | 5.00p | 11/5/2000 | 14/12/2008 |
| | 276,887 | 5.00p | 11/2/2001 | 14/12/2008 |
| | 276,887 | 5.00p | 11/2/2002 | 14/12/2008 |

The total number of options awarded is 7,984,215 shares equalling 9.4% of the enlarged share capital assuming exercise of all options.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

22. STATEMENT OF MOVEMENT ON RESERVES

| | Capital redemption reserve £'000 | Share premium account £'000 | Other reserve £'000 | Profit and loss account £'000 |
|---|---|--|------------------------------------|--|
| The group | | | | |
| Profit for the financial period | - | - | - | 3,128 |
| Proposed dividend | - | - | - | (958) |
| Shares issued (net of expenses) | - | 8,244 | - | - |
| Reduction of capital | - | (22,015) | 7,845 | 14,170 |
| Expenses in respect of reduction of capital | - | (28) | - | - |
| Reclassification | - | - | (7,845) | 7,845 |
| Opening balance | 1,200 | 19,907 | - | (17,689) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Closing balance | 1,200 | 6,108 | - | 6,496 |
| The company | | | | |
| Profit for the financial period | - | - | - | 1,671 |
| Proposed dividend | - | - | - | (958) |
| Shares issued (net of expenses) | - | 8,244 | - | - |
| Reduction of capital | - | (22,015) | 7,845 | 14,170 |
| Expenses in respect of reduction of capital | - | (28) | - | - |
| Reclassification | - | - | (7,845) | 7,845 |
| Opening balance | 1,200 | 19,907 | - | (14,032) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Closing balance | 1,200 | 6,108 | - | 8,696 |

On 19 January 2005 the Court approved the cancellation of the company's share premium account as at 24 June 2004 in the amount of £22,015,000. Of this amount £14,170,000 was utilised to eliminate the debit balance on the company's profit and loss account and the remaining £7,845,000 was transferred to an other reserve, which was undistributable. Permission has been obtained from Bank of Scotland plc, the only creditor at the date of the cancellation of the share premium account not subsequently settled in full, to reclassify the other reserve as distributable and the balance has been transferred to profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

23. MOVEMENT IN SHAREHOLDERS' FUNDS

| | Year ended 31 March 2005 £'000 | Year ended 31 March 2004 £'000 |
|---|---|---|
| The group | | |
| Profit/(loss) for the financial period | 3,128 | (656) |
| Dividends | (958) | - |
| Share capital issued | 8,413 | 880 |
| Expenses in respect of reduction of capital | (28) | - |
| | <hr/> | <hr/> |
| Opening shareholders' funds | 10,555 | 224 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 4,016 | 3,792 |
| | <hr/> | <hr/> |
| The company | | |
| Profit/(loss) for the financial period | 1,671 | (50) |
| Dividends | (958) | - |
| Share capital issued | 8,413 | 880 |
| Expenses in respect of reduction of capital | (28) | - |
| | <hr/> | <hr/> |
| Opening shareholders' funds | 9,098 | 830 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 7,673 | 6,843 |
| | <hr/> | <hr/> |
| | <hr/> | <hr/> |
| | 16,771 | 7,673 |
| | <hr/> | <hr/> |

24. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

| | Year ended 31 March 2005 £'000 | Year ended 31 March 2004 £'000 |
|--|---|---|
| Operating profit/(loss) | 1,801 | (829) |
| Depreciation | 412 | 320 |
| Amortisation of intangible assets | 547 | 59 |
| Increase in debtors | (2,752) | (1,429) |
| Increase in creditors | 1,049 | 568 |
| | <hr/> | <hr/> |
| Net cash inflow/(outflow) from operating activities | 1,057 | (1,311) |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

| | Year ended 31 March 2005 £'000 | Year ended 31 March 2004 £'000 |
|--|--|--|
| Returns on investments and servicing of finance | | |
| Other interest receivable | 65 | 112 |
| Bank overdraft and other borrowings | (142) | - |
| Finance leases and hire purchase contracts | (17) | (37) |
| | <u>(94)</u> | <u>75</u> |
| Taxation | | |
| Research and development tax credits received | - | 334 |
| Corporation tax refund | 4 | - |
| | <u>4</u> | <u>334</u> |
| Capital expenditure and financial investment | | |
| Payments to acquire tangible fixed assets | (765) | (444) |
| Proceeds of disposal of fixed assets | - | 2 |
| | <u>(765)</u> | <u>(442)</u> |
| Acquisitions | | |
| Purchase of subsidiary undertakings (note 27) | (5,852) | (576) |
| Professional fees in connection with acquisitions | (182) | - |
| Payment of deferred consideration | (117) | - |
| Net cash acquired with subsidiaries | 2,048 | 173 |
| | <u>(4,103)</u> | <u>(403)</u> |
| Financing | | |
| Issue of ordinary shares | 327 | 880 |
| Issue of shares to minority interest | - | 100 |
| Professional fees in connection with share exchanges | (236) | - |
| Expenses of capital reduction | (28) | - |
| Bank loan | 3,465 | - |
| Repayment of bank loan | (429) | - |
| Capital element of finance lease rentals | (190) | (250) |
| | <u>2,909</u> | <u>730</u> |

26. ANALYSIS OF CHANGE IN NET FUNDS/(DEBT)

| | At 31 March 2004 £'000 | Cash flow £'000 | At 31 March 2005 £'000 |
|----------------------------------|---------------------------------|--------------------|---------------------------------|
| Cash at bank and in hand | 3,025 | (992) | 2,033 |
| Bank loan | - | (3,036) | (3,036) |
| Finance leases and hire purchase | (291) | 190 | (101) |
| | <u>2,734</u> | <u>(3,838)</u> | <u>(1,104)</u> |
| Net funds/(debt) | | | |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

27. PURCHASE OF SUBSIDIARY UNDERTAKINGS

On 9 September 2004 the company acquired the whole of the issued capital of Easyspace Limited, being 100% of its nominal share capital, for a consideration of £12,150,000 satisfied by the issue of 11,574,075 ordinary shares at 54p per share, £5,750,000 in cash and professional fees in connection with the acquisition of £150,000. Goodwill arising on acquisition has been capitalised. The purchase has been accounted for by the acquisition method of accounting.

On 19 May 2004 the company acquired 100,000 ordinary shares of £1 in Ufindus Limited, being the remaining 25% of the nominal share capital, for a consideration of £2,206,000 satisfied by the issue of 3,200,000 ordinary shares at 64.75p per share, £102,000 in cash and professional fees in connection with the acquisition of £32,000. Goodwill arising on acquisition has been capitalised. The purchase has been accounted for by the acquisition method of accounting.

| | Ufindus Limited | | | Easyspace Limited | | | Total |
|-----------------------------|-------------------------|---------------------------------|---------------------|-------------------------|---------------------------------|---------------------|---------------------|
| | Net book value £'000 | Fair value adjustments £'000 | Fair value £'000 | Net book value £'000 | Fair value adjustments £'000 | Fair value £'000 | Fair value £'000 |
| Net assets acquired: | | | | | | | |
| Goodwill | 88 | - | 88 | - | - | - | 88 |
| Tangible fixed assets | 17 | - | 17 | 15 | - | 15 | 32 |
| Investment | 186 | - | 186 | 30 | (30) | - | 186 |
| Debtors | 493 | - | 493 | 262 | (44) | 218 | 711 |
| Cash at bank and in hand | 101 | - | 101 | 2,048 | - | 2,048 | 2,149 |
| Creditors | (745) | - | (745) | (2,153) | - | (2,153) | (2,898) |
| | <u>140</u> | <u>-</u> | <u>140</u> | <u>202</u> | <u>(74)</u> | <u>128</u> | <u>268</u> |
| Goodwill | | | <u>2,066</u> | | | <u>12,022</u> | <u>14,088</u> |
| | | | <u>2,206</u> | | | <u>12,150</u> | <u>14,356</u> |
| Satisfied by: | | | | | | | |
| Cash | | | 102 | | | 5,750 | 5,852 |
| Shares issued | | | 2,072 | | | 6,250 | 8,322 |
| Professional fees | | | 32 | | | 150 | 182 |
| | | | <u>2,206</u> | | | <u>12,150</u> | <u>14,356</u> |

Easyspace Limited

The fair value of the net assets acquired has been considered and an adjustment from £202,000 to £128,000 has been made. This is due to the write off of the company's investment and of debtors not considered recoverable.

Ufindus Limited

No fair value adjustments were deemed to be necessary on the purchase of the remaining minority interest in Ufindus Limited.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

27. PURCHASE OF SUBSIDIARY UNDERTAKINGS (CONTINUED)

The summarised profit and loss account of Easyspace Limited for the period prior to acquisition and the previous accounting period are set out below:

| | Easyspace Limited | |
|---------------------------------|--|---|
| | Year ended 31 December 2003 £'000 | Period from 1 January 2004 to 8 September 2004 £'000 |
| Turnover | 4,961 | 3,568 |
| Operating profit | 1,801 | 1,194 |
| Net interest | 30 | 31 |
| Profit for the financial period | 1,831 | 1,225 |

There were no recognised gains and losses other than the profit for the financial period.

During the year Easyspace Limited contributed £697,000 to the group's operating cash flows, £4,000 in respect of corporation tax refunds and £22,000 in respect of returns on investments and servicing of finance and utilised £42,000 in respect of capital expenditure.

28. OPERATING LEASE COMMITMENTS

At 31 March 2005 the group was committed to making the following payments during the next year in respect of operating leases:

| | Land and buildings 31 March 2005 £'000 | Other 31 March 2005 £'000 | Land and buildings 31 March 2004 £'000 | Other 31 March 2004 £'000 |
|-----------------------------|---|--|---|--|
| Leases which expire: | | | | |
| Within one year | 33 | 365 | 19 | 129 |
| Within two to five years | 86 | 26 | 53 | 10 |
| After five years | 265 | - | 139 | - |
| | <u>384</u> | <u>391</u> | <u>211</u> | <u>139</u> |

29. RELATED PARTY TRANSACTIONS

Included in other debtors is £47,150 due from Stewart Moir, company secretary, in respect of share options which were exercised at the year end for personal pension purposes. This has been settled after year end. There were no other related party transactions.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2005

30. FINANCIAL INSTRUMENTS

The group finances its operation by raising finance through equity and bank borrowings. No speculative treasury transactions are undertaken and, during the last two years, no derivative contracts were entered into. Financial assets and liabilities include those assets and liabilities of a financial nature, namely cash, investments and borrowings. Short term debtors/creditors have been excluded from the following disclosures.

| | 2005 | 2004 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Financial assets | | |
| The group's financial assets and their maturity profile are: | | |
| Cash at bank and in hand | 2,033 | 3,025 |
| | <u>2,033</u> | <u>3,025</u> |
| Maturing | | |
| One year or less or on demand | 2,033 | 3,025 |
| | <u>2,033</u> | <u>3,025</u> |
| Financial liabilities | | |
| The group's financial assets and their maturity profile are: | | |
| Leasing obligations – fixed rates | 101 | 291 |
| Bank loan – floating rate | 3,036 | - |
| | <u>3,137</u> | <u>291</u> |
| All of the fixed interest obligations are repayable within one year. | | |
| Weighted average fixed interest rate | 9.2% | 9.2% |
| An analysis of the maturity of group debt is given in note 18 | | |

Liquidity risk

The group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably.

Interest rates

The interest rate on the group's floating rate loan and cash at bank is determined by reference to the base rate.

The group has a committed undrawn overdraft facility of £1,000,000 (2004 - £nil), which falls due for renewal in September 2005.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2005 annual general meeting of iomart Group plc will be held at Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow G20 0SP on 20 June 2005 at 12 noon, for the purpose of considering and, if thought fit, transacting the following business:-

1 Ordinary Business

- 1.1 to receive and adopt the financial statements of the company and the directors' and auditors' reports thereon for the year ended 31 March 2005;
- 1.2 to declare a final dividend for the year ended 31 March 2005,
- 1.3 to reappoint Fred Shedden as a director of the company;
- 1.4 to appoint Stuart Forrest as a director of the company;
- 1.5 to appoint Mark Hallam as a director of the company;
- 1.6 to reappoint Grant Thornton UK LLP, Chartered Accountants, as auditors of the company and to authorise the directors to fix their remuneration;
- 1.7 to approve the report of the board to the members on directors' remuneration for the year ended 31 March 2005.

2 Special Business

to consider and, if thought fit, pass the following resolution as an ordinary resolution:-

that the directors be and they are hereby empowered generally and unconditionally authorised to exercise all of the powers of the company to allot relevant securities (within the meaning of Section 80(2) of the Companies Act 1985 (the "Act")) subject always to the provisions of the articles of association of the company provided that:-

- (a) the maximum nominal amount of relevant securities to be allotted in pursuance of such authority shall be £233,368; and
- (b) this power shall expire, unless sooner revoked or varied by the company, on the conclusion of the next annual general meeting of the company or the expiry of the period of fifteen months from the date of the passing of this resolution whichever is the earlier, save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

And

NOTICE OF THE ANNUAL GENERAL MEETING

to consider and, if thought fit, pass the following resolution as a special resolution:-

- 3 that the directors be and are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by resolution 2 above as if Section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to:-
- (a) an offer and allotment of equity securities by way of rights in favour of holders of ordinary shares where the equity securities respectively attributable to the interest of all such holders are proportionate (as nearly as may be) to the respective number of ordinary shares held, or deemed to be held, by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and
 - (b) the allotment (otherwise than pursuant to (a) above) of equity securities up to an aggregate nominal amount of £76,663;

provided that this authority shall expire, unless sooner revoked or varied by the company, on the conclusion of the next annual general meeting of the company or the expiry of the period of fifteen months from the date of the passing of this resolution whichever is the earlier, unless sooner revoked or varied by the company in general meeting and save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

By order of the board

Stewart Moir
Company Secretary
17 May 2005

Lister Pavilion, Kelvin Campus
West of Scotland Science Park
Glasgow G20 0SP

Notes

1. The register of directors' interests in the share capital of the company and copies of directors' service contracts or letters of appointment with the company will be available for inspection at the registered office of the company during usual business hours on any weekday (public holidays excluded) from the date of this notice until the date of the meeting.
2. A member of the company entitled to attend and vote at the above meeting may appoint one or more proxies (whether a member or not) to attend, and on a poll, vote instead of him. A form of proxy is enclosed. To be effective this form of proxy must be deposited, together with the power of attorney or other authority under which it is executed or a notarially certified copy of such power or authority, at the office of the company's registrars, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not later than 48 hours before the time of the meeting or any adjournment thereof. Completion of a form of proxy will not preclude a member from attending and voting in person.
3. For the purposes of determining who is entitled to attend and vote (whether on a show of hands or on a poll) at the meeting a person must be entered on the register of members not later than 48 hours before the time of the meeting, or any adjournment thereof.

iomart Group plc
Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow, G20 OSP

Tel: +44 (0)141 931 6400 / Fax: +44 (0)141 931 6401

www.iomart.com

© iomart Group 2005.