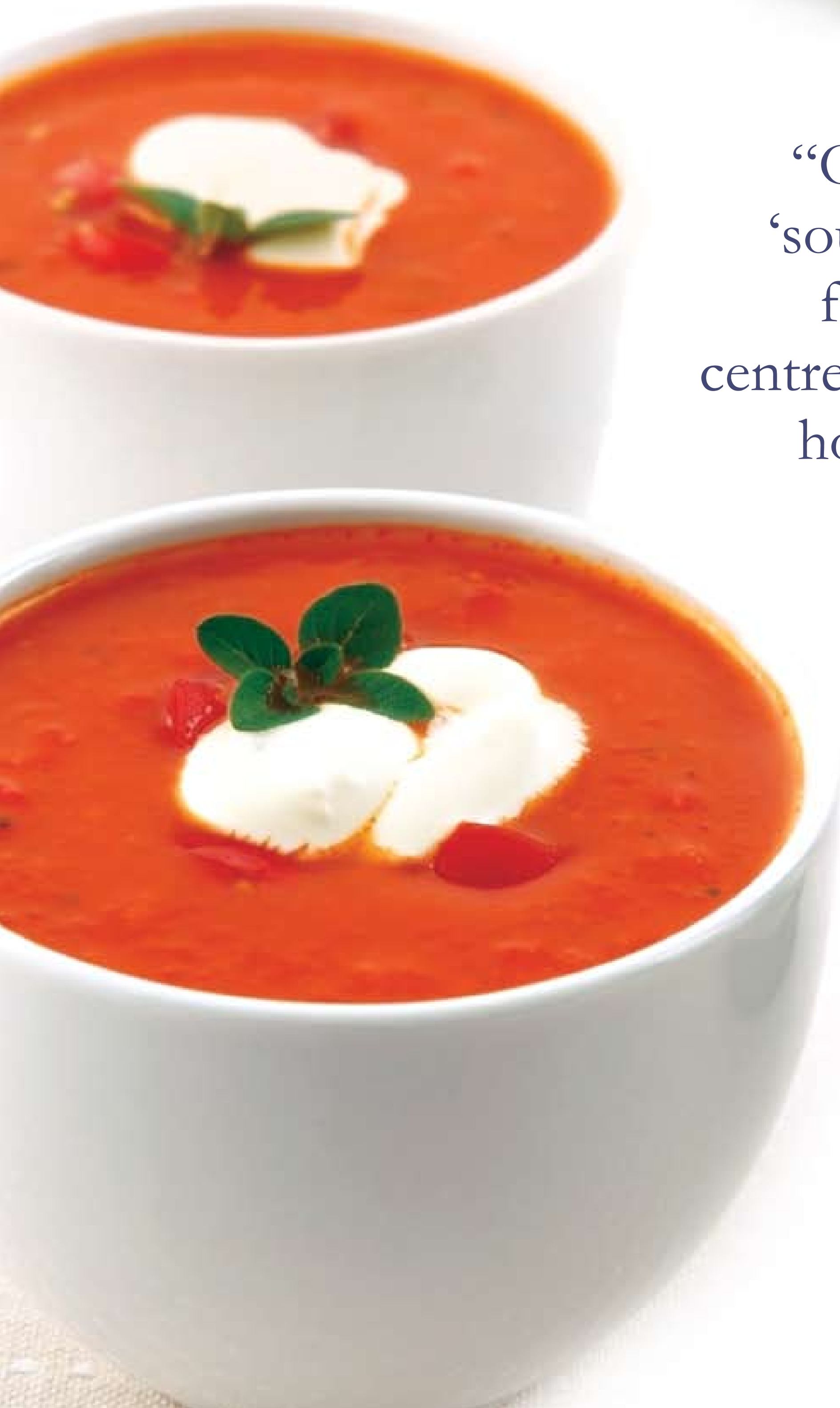
iomart
group plc

Annual Report and Accounts 2008

The natural choice for business hosting

“Our ability to offer a ‘soup to nuts’ solution, from domain to data centre, including complex hosting requirements, gives us a unique place in the hosting marketplace.”



Financial Statements for year ended 31March 2008

Highlights

- **£20m cash sale of Ufindus to BT post year end**

- **Revenue**
  - Hosting revenue increased by 63% to £1.4m
  - Easyspace revenue increased by 9% to £6.3m
  - Combined managed hosting revenues increased by 17% to £7.7m

- **Profitability**
  - Over £3 million spent on operating costs on start up data centre operation with limited impact on profitability
  - Group EBITDA only reduced by £0.3m to £1.0m
  - EBITDA from operations, excluding startup hosting division, increased from £2.7m to £5.0m

- **iomart's largest ever contract to date for a total of £6.75m over 5 years with BT**

iomart group plc

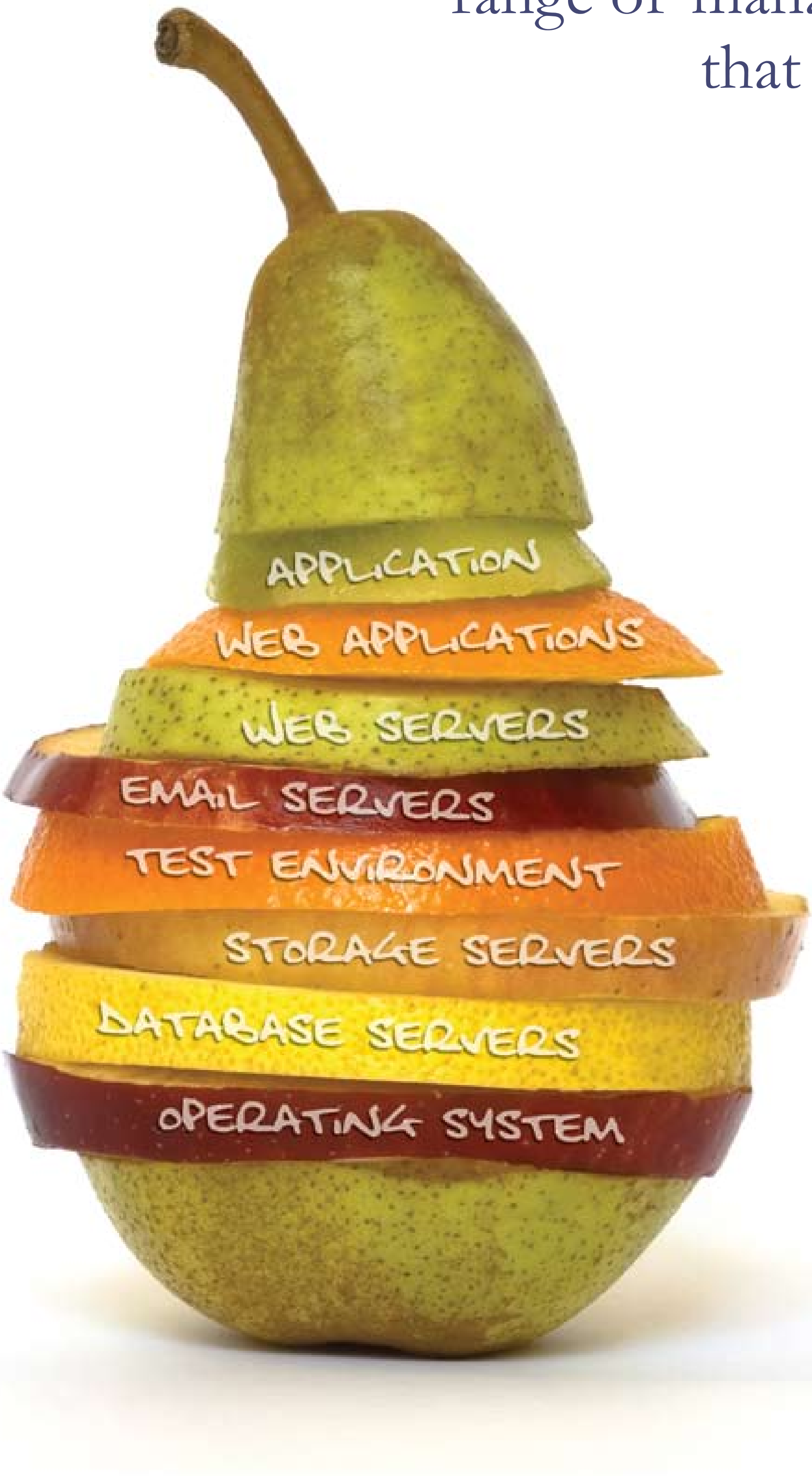
63%
Growth
Hosting revenue

9%
Growth
Easyspace revenue

£5M
EBITDA
PROFIT
UP FROM £2.7M
(excluding hosting division)

£20M
Cash from sale of Ufindus strengthens balance sheet.

“Our virtualisation skills enable us to build, deploy and manage customer platforms with a much higher level of complexity, increasing the range of managed services that we provide.”



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"iomart has funds to accelerate growth"

"Microsoft certifies iomart"

"Easyspace puts PCL in the Picture"

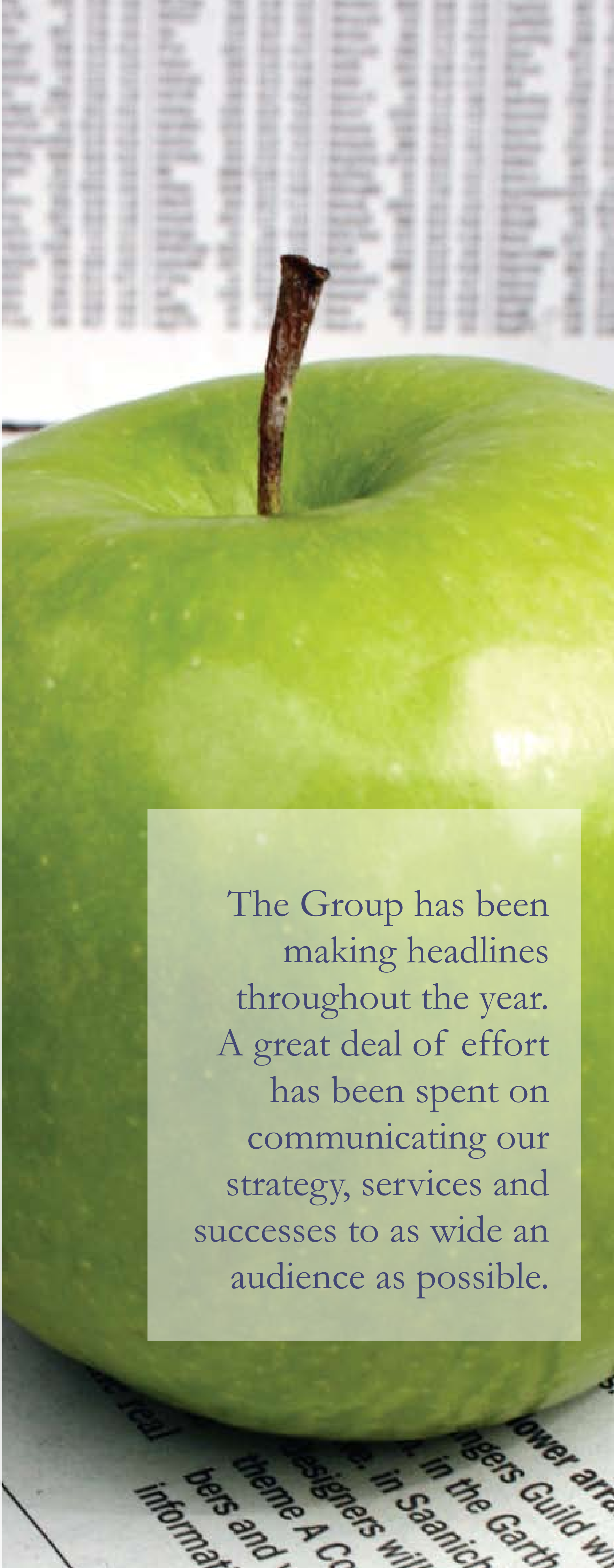
"Netintelligence and XMA unite to defend kids"

"iomart buoyed by £6.75m contract"

"iomart wins Web Services contract with UK Online"

"ioSmart thinking"

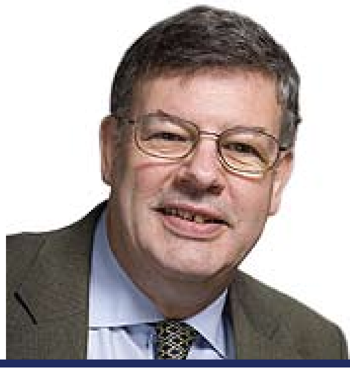
"iomart nets major award"



The Group has been making headlines throughout the year. A great deal of effort has been spent on communicating our strategy, services and successes to as wide an audience as possible.

"the Group now finds itself in a much stronger position than at this time last year."

Ian Ritchie, Chairman



I am delighted to present my first report as Chairman of iomart Group. It is not too much of an exaggeration to say that this has been a pivotal year in the development of the Group, which has seen us establish ourselves as providers of complex managed hosting and colocation services to the SME and corporate market in the UK through our owned network of carrier neutral data centres.

Over the year we set ourselves some objectives in order to ensure that the Group was best positioned to take advantage of opportunities within a changing market. I am pleased to report that our management has achieved these objectives and the Group now finds itself in a much stronger position than at this time last year. As a result of the acquisition of our data centres last year and the recent disposal of Ufindus our management has successfully built an asset backed business with substantial cash resources whilst having taken steps to eliminate the losses from non-performing assets.

We now have a very clear strategy and a solid basis from which to grow the Group and thereby increase shareholder returns in the medium and long term. With their wealth of experience in web hosting and managed services, our management is well positioned to deliver on our strategic goals.

During the year I took over the role of Chairman of the Group from Nick Kuenssberg. For eight years Nick had provided the Group with first class commitment and service and both personally and on behalf of everyone connected with the Group I want to thank him for everything he has contributed to the development of iomart over that period. Mark Hallam and Stuart Forrest also left the Board and subsequently, with the disposal of Ufindus, ceased to be employees of the Group. Both contributed greatly to the successful development of Ufindus and thoroughly deserve the gratitude of everyone connected with iomart for their sterling efforts.

Finally, I would like to thank our employees for their hard work and commitment over the last year and our Board for their strong strategic leadership of the business. I believe we can look to the future with confidence.

"Our management is well positioned to deliver on our strategic goals."

Ian Ritchie, Chairman. 28 July 2008

"Complex managed hosting solutions is the target market for the Group."

Angus MacSween, Chief Executive Officer

Introduction

We have continued to pursue the strategy laid out last year of focusing on building a managed hosting business owning its own carrier neutral data centre capacity to allow the delivery of the full set of vertical components from domain names through space power and bandwidth to complex application hosting.

Since the year end we have completed the sale of Ufindus to BT for a total cash consideration of £20m which not only enables us to concentrate solely on the development of the managed services business but also provides us with the capital to acquire additional assets in this area when appropriate.

Managed Hosting

Our overall managed hosting revenues grew from £6.6m to £7.7m, a 17% increase in the year. This is composed of two elements: Easyspace, which services the SME market, had revenues of £6.3m, and our fledgling data centre-owning Hosting arm which trades as iomart Hosting serving the needs of the corporate market, had revenues of £1.4m in our start up year of data centre operation.

Over the years we have developed a portfolio of managed services for SMEs as part of the Easyspace brand. We now have over 210,000 customers to whom we sell domain name services, web hosting, dedicated and virtual servers and other web based services. During the year we have seen good growth in our virtual server and dedicated server offerings and our growing recognition as experts in virtualisation is attracting opportunities. We now have accreditation with the major providers of virtualisation software and this will allow us to build, deploy and maintain customer platforms with a much higher level of complexity and increase the range of managed services that we provide.

With the addition of our own data centres, all of which are fully operational, we are now able to leverage this expertise at the enterprise level through the provision of a range of services from the straightforward provision of space and power to the more complex managed hosting solutions.

In February 2008 after successfully passing a thorough diligence process, thereby fully verifying our quality and capability, we won a major contract with BT worth £6.75m over 5 years giving us an anchor tenant for our London data centre.

Complex managed hosting solutions is the target market for the Group going forward and fundamental to achieving the maximum return on the investment we have made in our data centres. The demand for managed services remains strong. Typically rack rates for managed services are around 10x that of providing just space and power and it is for this reason that we are focused on securing long term managed services contracts rather than filling the data centres with low value space and power contracts.

Netintelligence

As ‘sofware as a service’ (“SaaS”) begins to hit the mainstream of service and software delivery, we are delighted to report that Netintelligence, our SaaS based internet security product, contributed £0.3m of operating profit to the Group largely through controlling costs. This year we intend to bring the established and robust delivery platforms developed by Netintelligence closer to the mainstream hosting business and begin to add hosting and other new services through the same seamless delivery system. We are attracting resellers who see the requirement to deliver services in this way to their customers.

Ufindus

Following the year end we successfully sold our online directory business, Ufindus to BT for a total cash consideration of £20m. We improved the profitability of Ufindus through the year and firmly established its presence in that market. However it was, and remains, our view that unlocking the shareholder value in Ufindus and reinvesting it in our core business was in the best interests of the Group and shareholders in the medium and long term. We are delighted that the UK’s largest telecommunications organisation has recognised the value we have created in Ufindus and look forward to seeing it prosper under BT’s ownership. I would like to add my personal thanks to Mark Hallam and Stuart Forrest for their commitment and effort over the years, and wish them well in their futures with BT.

Current trading and outlook

We are now well positioned to address our chosen market and a combination of the defensive qualities of managed hosting provision alongside revenue visibility related to multi-year contracts give us confidence in our long term prospects.

We intend to use the proceeds of the sale of Ufindus to acquire hosting businesses which can add revenues, customers and skills while benefitting from cost efficiencies within the Group.

We look forward with clarity and confidence.

“We look forward with clarity and confidence.”

Angus MacSween, Chief Executive Officer. 28 July 2008

"Our investment to date gives the group 4 fully powered, resilient and highly secure data centres."

"We find ourselves in the enviable position of having sufficient funding to fully underwrite our plans."

Richard Logan, Finance Director

Trading

After the acquisition of our data centres at the very end of the last financial year our plan this year was to absorb the considerable costs of establishing a data centre operation without affecting our overall Group profitability. Despite having incurred planned operating expenditure in the first year of ownership of our data centres in excess of £3m there has been a limited impact on our overall profitability.

What has been particularly pleasing has been the revenue growth in both Easyspace (9%) which has been achieved through a combination of additional dedicated resources and greater focus and our Hosting operation (63%) which includes the impact of the first year of operation of our data centres. Through a combination of a reduction in direct sales headcount and other operational efficiencies, the underlying level of profitability of the Ufindus operation was substantially improved at the expense of revenue growth in the short term.

EBITDA for the year was £1.0m (2007: £1.3m) which includes the planned operating expenditure incurred in the first year of operation of our data centres, within our Hosting division. All of our other operating divisions, namely Easyspace, Netintelligence and Ufindus, showed strong EBITDA growth collectively delivering EBITDA profits of £5.0m compared to £2.7m in 2007. In particular, as we committed at the end of the last financial year, we have taken steps to ensure Netintelligence made an EBITDA profit compared to the substantial EBITDA loss in 2007.

Cash

Despite the cost of establishing our data centre operation our operating cashflow improved over last year with £0.5m generated from operating activities this year compared to £0.2m in 2007. A great deal of effort has gone into improved working capital management and it is very pleasing to see the positive effect this has had.

At the end of the financial year our net overall borrowings were £0.1m compared to £4.8m at the end of the last financial year. This of course, also includes the cash effect of our share issue at the very start of this financial year to finance the acquisition of our data centres.

Financial Position

Since the year end we have disposed of our internet directory subsidiary Ufindus for an initial cash sum of £18m with a further £2m in escrow and consequently we find ourselves in the enviable position of having sufficient funding to fully underwrite our current business plans and not having to place reliance on borrowing facilities at this testing time in the credit market.

"What has been particularly pleasing has been the revenue growth in Easyspace and our Hosting operation."

Richard Logan, Finance Director. 28 July 2008

Corporate Governance

As 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.

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 three executive and three non-executive directors. The size of the board is considered to be appropriate to the current size 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, two non-executive directors and the chief executive officer. Ian Ritchie is chairman of the nominations committee, Fred Shedden of the remuneration committee and Chris Batterham of the audit committee.

A separate report on directors' remuneration is set out on pages 10 to 12, 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.

Risk management

The board established a risk register in 2006 which is formally reviewed during each calendar year.

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 annual general meeting 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.iomartgroup.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 remuneration 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 resolution 6 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. Performance conditions are set individually for each director to ensure they are relevant and stretching.

- Car allowance and other benefits

The executive directors are entitled to a car allowance and life insurance cover.

- Private Medical Insurance

The executive directors are entitled to participate in the group's Private Medical Insurance scheme.

- 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.

- Share options

Executive directors are entitled to participate in share option schemes.

All the executive directors are engaged under service contracts which require a notice period of 6 or 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 as determined by the board. They are not entitled to receive any bonus or other benefits.

Non-executive directors' letters of appointment are on a 6 month rolling basis.

Directors’ remuneration

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

Name of director	Salary or fees £	Bonus £	Benefits £	Pension contributions £	Year ended 31 March 2008 Total £	Year ended 31 March 2007 Total £
Nick Kuenssberg (resigned 31 January 2008)	40,000	-	-	-	40,000	35,000
Angus MacSween	154,167	91,000	991	13,500	259,658	202,950
Chris Batterham	30,000	-	-	-	30,000	24,375
Stuart Forrest (resigned 31 March 2008)	110,000	73,595	1,304	-	184,899	194,249
Mark Hallam (resigned 31 March 2008)	110,000	73,595	16,216	-	199,811	194,249
Sarah Haran	110,000	85,000	-	7,574	202,574	187,425
Richard Logan (appointed 10 July 2006)	110,000	45,000	991	8,000	163,991	95,052
Ian Ritchie (appointed 21 December 2007)	13,333	-	-	-	13,333	-
Fred Shedden	30,000	-	-	-	30,000	25,000
	707,500	**368,190**	**19,502**	**29,074**	**1,124,266**	**958,300**

Directors’ interests in shares

The interests of the directors in the shares of the company at 31 March 2008, together with their interests at 1 April 2007 or the date of appointment were as follows:

	Number of ordinary shares	
	31 March 2008	At 1 April 2007 or date of appointment
Name of director		
Angus MacSween	19,286,304	19,286,304
Chris Batterham	45,621	45,621
Sarah Haran	720,704	720,704
Richard Logan	45,500	45,500
Ian Ritchie	Nil	Nil
Fred Shedden	744,588	744,588

Directors' interests in share options

The interests of the directors at 31 March 2008 in options over the ordinary shares of the company were as follows:

Name of director	At 1 April 2007	Granted in year	Exercised	At 31 March 2008	Exercise price	Date from which exerciseable	Expiry date
Angus MacSween	1,750,000	-	-	1,750,000	78.5p	17/11/2007	17/11/2014
	12,302	-	-	12,302	76.0p	01/03/2009	01/09/2009
	1,762,302	-	-	1,762,302			
Sarah Haran	159,746	-	-	159,746	5.0p	11/05/2000	14/12/2008
	159,747	-	-	159,747	5.0p	11/02/2001	14/12/2008
	159,747	-	-	159,747	5.0p	11/02/2002	14/12/2008
	850,000	-	-	850,000	78.5p	17/11/2007	17/11/2014
	4,921	-	-	4,921	76.0p	01/03/2009	01/09/2009
	-	500,000	-	500,000	50.5p	27/09/2010	27/09/2017
	1,334,161	500,000	-	1,834,161			
Richard Logan	200,000	-	-	200,000	74.0p	24/08/2009	24/08/2016
	-	500,000	-	500,000	50.5p	27/09/2010	27/09/2017
	200,000	500,000	-	700,000			

The options granted in the current year vest over a two year period subject to appropriate performance criteria.

On 28 April 2008 1,300,000 of the 78.5p options granted to Angus MacSween, 600,000 of the 78.5p options granted to Sarah Haran and 150,000 of the 74p options granted to Richard Logan lapsed as the performance criteria on which these options would have vested had not been satisfied. It is the intention of the remuneration committee to review option incentive packages for the executive directors during the forthcoming financial year.

The market price of the company's shares at the end of the financial period was 45p and the range of prices during the period was between 32p and 70.5p.

By order of the board

Fred Shedden
Chairman, Remuneration committee

28 July 2008

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 2008.

Principal activity

The principal activity of the Group is the provision of webhosting and managed hosting services through a network of owned data centres.

Business review

The chairman's statement, chief executive officer's and finance director's reports contain a review of trading.

The Group is focused on building a managed hosting business using its own carrier neutral data centre capacity to allow the full set of vertical components from domain names through space, power and bandwidth to complex application hosting.

Key performance indicator review

With the disposal of the Group's on-line directory operation, Ufindus, after the year end the Group has taken the opportunity to revise its key performance indicators to be more in line with those indicators which are important to the future strategic direction of the Group.

	2008	2007
Revenue	5% reduction	17% increase

There are two major components to the 5% reduction in 2008 revenue. Ufindus, our online directory operation which was sold on 9 July 2008, had a revenue reduction of 10% (2007: revenue increase of 17%) and our managed hosting operations had a revenue increase of 5% (2007: revenue increase of 1%).

	2008	2007
EBITDA margin	5%	6%

The Group's EBITDA margin has shown a small decrease despite incurring costs of over £3m in establishing its data centre operation during the year.

	2008	2007
Data centre usage	19%	5%

Data centre usage is calculated by comparing the actual usage of racks to the total rack capacity of the data centres. The increase in the year is due to new sales.

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 2008 comprise a bank loan and overdrafts of £0.8m and finance leases totalling £0.4m. The interest rate payable on the bank loan and overdrafts is between 2.5% and 2.75% above the base rate of Bank of Scotland plc. The interest rate at 31 March 2008 was between 7.75% and 8.00% and the average interest rate since the loan was drawn was 8.29%. The interest rates on the finance leases are fixed for the term of the lease at between 7.7% and 9.75%. All transactions of the holding company and the UK subsidiaries are in UK sterling and the Group does not use derivative instruments. Additional information on financial instruments is included in Note 25.

Dividend

The directors do not propose a dividend for the year ended 31 March 2008 (2007 – nil).

Directors and their interests

The present membership of the board is set out on page 17. In addition Dominic Marrocco served as a director until 20 June 2007, Nick Kuenssberg served as a director until 31 January 2008, and Mark Hallam and Stuart Forrest both served as directors until 31 March 2008. In accordance with the company's Articles of Association, Chris Batterham, Sarah Haran and Ian Ritchie will offer themselves for re-election at the forthcoming annual general meeting.

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 10 to 12.

Substantial shareholdings

At 30 June 2008 the following interests in 3% or more of the issued ordinary share capital had been notified to the company:

Shareholder	Shares	Percentage held
Angus MacSween	19,286,304	19.40%
Gartmore Investment Limited	16,169,944	16.26%
Majedie Asset Management	6,690,911	7.00%
British Steel Pension Scheme	5,146,000	5.18%
Goldman Sachs	4,654,535	4.68%
Universities Superannuation Scheme	4,177,000	4.20%

Employee involvement

The Group regularly communicates with 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.

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 2008, calculated in accordance with the requirements of the Companies Act 1985, were 26 days (2007 – 30 days), and of the company were 27 days (2007 – 26 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 did not make any charitable or political donations in either the current or the previous year.

Awareness of relevant audit information

So far as each of the directors, at the time the report is approved, is aware:

- there is no relevant audit information of which the auditors are unaware, and
- the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Website disclaimer

The maintenance and integrity of the iomart Group plc website is the responsibility of the directors. The work carried out by the auditor 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 the other jurisdictions.

Auditors

Grant Thornton UK LLP 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

Bruce Hall, Company secretary
28 July 2008

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS).

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.

Netintelligence achieved the Central Sponsor of Information Assurance, CSIA Claims Tested Mark, awarded by the Cabinet Office.

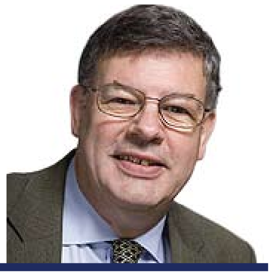
iomart has been accredited by Microsoft as a certified partner with Advanced Infrastructure Solutions status.

“Our Nottingham data centre incorporates the latest in cooling technology reducing our estimated electricity consumption by 7% per annum.”

Board of Directors

Ian Ritchie

58, appointed 2008; Currently Chairman of Computer Application Services Ltd, Caspian Learning Ltd, Connect Scotland, and Scapa Technologies Ltd he is also a past President of the British Computer Society. Ian was founding chairman of several technology companies, including Voxar Ltd (now part of Barco Ltd), a world leader in visualisation solutions for medical markets, Orbital Software Group plc (now part of Sopheon plc), Digital Bridges Ltd. (now part of Oberon Inc) and Sonaptic Ltd (now part of Wolfson Microelectronics plc), the leading audio technology development company.



Angus MacSween

52, 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.

Chris Batterham

53, appointed 2005; Chris was finance director of Unipalm plc, the first internet company to IPO and stayed with the company for 5 years following its takeover by UUnet. He was CFO of Searchspace until 2005 and is currently a non executive director of SDL plc, DRS Group plc, The Risk Advisory Group and The Sporting Exchange Limited (Betfair). Chris has also served on the boards of Staffware plc, DBS Management plc and The Invesco Techmark Enterprise Trust plc.

Sarah Haran

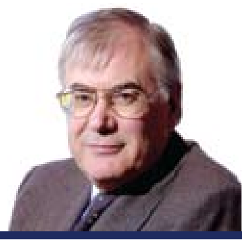
42, appointed 2000; Sarah has spent her career implementing and managing operations centres for large corporations such as Microsoft Inc, Compaq Inc, Scottish Power plc and Prestel Limited. She joined iomart in 1998, from Scottish Telecom plc and has been responsible for developing the day-to-day business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

Richard Logan

50, appointed 2006; Richard is a chartered accountant having qualified with Arthur Young in 1984. Richard then spent 7 years with Ben Line Group initially as Group treasurer and latterly as financial director of Ben Line's main container shipping division. From 1992 to 2002 Richard served as finance director of Kingston SCL a company which provided administration and billing software to the mobile communications market during which time he was involved in a management buy-out and subsequent trade sale of the company. Immediately prior to joining iomart Richard served as finance director of ePOINT Group, a technology company based in Scotland.

Fred Shedden

64 , appointed 2000; director of Murray International Trust plc and Equitable Life Assurance Society; member of the Board of Glasgow Housing Association Limited; deputy chairman of The Glasgow School of Art; formerly senior partner of McGrigors and chairman of Halladale Group plc.



Report of the independent auditor to the members of iomart group plc.

We have audited the Group financial statements of iomart Group plc for the year ended 31 March 2008 which comprise the principal accounting policies, the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and notes 1 to 26. These consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of iomart Group plc for the year ended 31 March 2008.

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 auditor's 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 preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, Chief Executive Officer's Report and the Finance Director's Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Statement, the Chief Executive Officer's Report, the Finance Director's Report, the Directors' Report, the Statement of Director's Responsibilities, Report of the Board to the Members on Directors' Remuneration and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Group 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 Group 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 Group financial statements.

Opinion

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended;
the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
the information given in the Directors' Report is consistent with the financial statements.

Separate opinion in relation to IFRSs

As explained in Note 2 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
GLASGOW

28 July 2008

Consolidated Income Statement

Year ended 31March 2008

Continuing	Note	2008 £'000	2007 £'000
Revenue		20,049	21,086
Cost of sales		(5,501)	(4,686)
Gross profit		**14,548**	**16,400**
Administrative expenses		(14,672)	(15,835)
Operating (loss)/profit		**(124)**	**565**
Analysed as:			
Earnings before interest, tax, depreciation and amortisation		964	1,331
Depreciation	4	(817)	(653)
Amortisation	4	(271)	(113)
Finance income	6	73	11
Finance costs	6	(124)	(358)
(Loss)/profit before taxation		**(175)**	**218**
Taxation	8	528	1,962
Profit for the year from continuing operations		**353**	**2,180**
Basic and diluted earnings per share			
Basic	10	0.35p	2.78p
Diluted	10	0.35p	2.72p

Consolidated Balance Sheet

31March 2008

	Note	2008 £'000	Restated 2007 £'000
ASSETS			
Non-current assets			
Intangible assets – goodwill	11	18,525	18,525
Intangible assets – development costs	11	669	310
Intangible assets - software	11	51	39
Deferred tax asset	9	826	170
Lease deposit		884	-
Property, plant and equipment	13	8,310	8,380
		29,265	**27,424**
Current assets			
Cash and cash equivalents	15	743	-
Trade and other receivables	14	3,121	2,989
Amount due from share placing		-	10,466
		3,864	**13,455**
Total assets		**33,129**	**40,879**
LIABILITIES			
Non-current liabilities			
Deferred consideration	17	(4,800)	(4,800)
Borrowings	18	(187)	(649)
		(4,987)	**(5,449)**
Current liabilities			
Cash and cash equivalents	15	-	(3,152)
Trade and other payables	16	(4,789)	(4,336)
Borrowings	18	(672)	(1,032)
Amount due in relation to acquisition		-	(4,800)
		(5,461)	**(13,320)**
Total liabilities		**(10,448)**	**(18,769)**
Net assets		**22,681**	**22,110**
EQUITY			
Share capital	20	994	994
Capital redemption reserve		1,200	1,200
Share premium		17,541	17,541
Retained earnings		2,946	2,375
Total equity		**22,681**	**22,110**

These financial statements were approved by the board of directors on 28 July 2008
Signed on behalf of the board of directors

Angus MacSween
Director and Chief Executive Officer

Consolidated Cash Flow Statement

Year ended 31March 2008

	Note	2008 £'000	2007 £'000
Operating (loss)/profit		**(124)**	**565**
Depreciation	4	817	653
Amortisation	4	271	113
Share based payments	21	143	153
Recognition of deferred grants		(24)	(48)
Movement in deposits		(884)	-
Movement in trade receivables		(152)	(631)
Movement in trade payables		477	(562)
Cash flow from operations		**524**	**243**
Research and development tax credit received		-	142
Corporation tax paid		-	(160)
Net cash flow from operating activities		**524**	**225**
Cash flow from investing activities			
Purchase of property, plant and equipment		(520)	(463)
Capitalisation of development costs	11	(606)	(282)
Purchase of intangible assets - software	11	(36)	(29)
Payment for acquisition of business		(4,800)	-
Net cash used in investing activities		**(5,962)**	**(774)**
Cash flow from financing activities			
Issue of shares	20	-	43
Repayment of finance leases	22	(206)	(109)
Repayment of borrowings	22	(876)	(865)
Receipt of cash from share placing		10,466	-
Dividends	7	-	(1,284)
Interest received	6	73	11
Interest paid	6	(124)	(358)
Net cash from/(used) in financing activities		**9,333**	**(2,562)**
Net increase / (decrease) in cash and cash equivalents		**3,895**	**(3,111)**
Cash and cash equivalents at the beginning of the year		(3,152)	(41)
Cash and cash equivalents at the end of the year	15	**743**	**(3,152)**

Consolidated Statement of Changes in Equity

Year ended 31March 2008

	Note	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2006		773	1,200	6,203	2,376	10,552
Profit in the period		-	-	-	2,180	2,180
Scrip dividend	7	15	-	1,035	(1,050)	-
Dividends paid	7	-	-	-	(1,284)	(1,284)
Share based payments	21	-	-	-	153	153
Shares issued for share option redemption (net of expenses)		6	-	37	-	43
Issue of new shares for acquisition		200	-	10,266	-	10,466
Balance at 31 March 2007		**994**	**1,200**	**17,541**	**2,375**	**22,110**
Balance at 1 April 2007		**994**	**1,200**	**17,541**	**2,375**	**22,110**
Profit in the period		-	-	-	353	353
Share based payments	21	-	-	-	143	143
Deferred tax on share based remuneration	9	-	-	-	75	75
		-	-	-	571	571
Balance at 31 March 2008		**994**	**1,200**	**17,541**	**2,946**	**22,681**

During the year 6,667 shares were issued in relation to the exercise of share options. However the consideration received for these was only £416, so did not move the rounded equity figures shown above.

"Comparing our 100% uptime guarantee with our competitors is like comparing apples with oranges. 100% Uptime can only be delivered, and promised, if every component of the supply chain is directly managed and operated by a single source."

Notes to the Financial Statements

Year ended 31March 2008

1. GENERAL INFORMATION

iomart Group plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on the outer back cover of this report. The nature of the Group's operations and its principal activities are set out in the Chief Executive Officer's report, Finance Director's report and Directors' report.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

2. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards as adopted by the EU and issued by the International Accounting Standards Board (IFRS), under the historical cost convention. The measurement bases and principal accounting policies of the Group are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Basis of consolidation

The Group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 March 2008. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

At the date of transition, the Group elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to date of transition.

Accordingly the classification of the combination remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement.

Standards, amendments, and interpretations effective in year

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, but does bring in further disclosures around trade and other receivables and payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This interpretation does not have any impact on the Group's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on the Group's financial statements.

New standards and interpretations of existing standards that are not yet effective and have not been early adopted by the Group

The following standards and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2009 or later periods but which the Group has not early adopted:

	Effective date
• IAS 1 Presentation of Financial Statements (revised 2007)	1 January 2009
• IAS 23 Borrowing Costs (revised March 2007)	1 January 2009
• IAS 27 Consolidated and Separate Financial Statements (Revised 2008)	1 July 2009
• IFRS 3 Business Combinations (Revised 2008)	1 July 2009
• IFRS 8 Operating Segments	1 January 2009
• IFRIC 13 Customer Loyalty Programmes	1 July 2008

The full effect of the adoption of any of the above standards or interpretations on the Group financial statements is not known at this time.

Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and reviewed annually for impairment. Goodwill is carried at cost less accumulated impairment losses. Any excess of the Group's interest in the net fair value of the identifiable net assets acquired over cost is recognised immediately after acquisition in the income statement.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow from the transaction and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on prior experience, taking into consideration the type of customer and the type of transaction.

Ufindus

This operating segment sells web based marketing services comprising the creation, maintenance and ongoing promotion of websites on an internet directory. Revenue for the initial creation and design of websites is recognised when the website has been created and all significant obligations in relation to the sale have been fulfilled. Revenue for the ongoing maintenance and promotion of websites is then recognised evenly over the period of the service.

Easyspace

This operating segment provides domain name registration and web hosting services. Revenue from the provision of domain names is recognised at the time the title to the domain name passes. Revenue from the provision of web hosting is recognised evenly over the period of the service and only after all significant obligations in relation to the sale have been fulfilled. Any unearned portion of revenue is included in payables as deferred revenue.

Netintelligence

This operating segment provides internet security software under licence. Revenue from the sale of licences is recognised evenly over the period of the licence and only after all significant obligations in relation to the sale have been fulfilled. Any unearned portion of revenue is included in payables as deferred revenue.

Hosting

This operating segment provides managed hosting facilities and services. Revenue from the sale of facilities and services is spread evenly over the period of the agreement and only after all significant obligations in relation to the sale have been fulfilled. Any unearned portion of revenue is included in payables as deferred revenue.

Interest

Interest is recognised on a time-proportion basis using the effective interest method.

Intangible assets

Research and development

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred. Development costs incurred are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
- the Group intends to complete the intangible asset and use or sell it
- the Group has the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. The only development costs which are deemed to meet these criteria in the Group are in relation to developments by specific teams to develop products in the internet directory and internet security. Development costs capitalised are amortised on a straight-line basis over the estimated useful life of the asset. The estimated useful life is deemed to be three years from the month of expenditure for all developments capitalised.

Amortisation charges are recognised in administration expenses in the income statement.

Software

Software is recognised at fair value on purchase and amortised on a straight-line basis over its useful economic life, which does not generally exceed four years.

Assets acquired as part of a business combination

In accordance with IFRS 3 Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from goodwill where the individual fair values of the assets in the group are not reliably measurable. Where the individual fair values of the complementary assets are reliably measurable, the Group recognises them as a single asset provided the individual assets have similar useful lives.

Property, plant and equipment

Property, plant and equipment is stated at cost net of depreciation and any provision for impairment. Leasehold property is included in property, plant and equipment only where it is held under a finance lease.

Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation

Depreciation is calculated to write down the cost of all property, plant and equipment to the expected residual value by equal annual instalments over their estimated useful economic lives. All items of plant and equipment are deemed to have immaterial residual values. The rates generally applicable are:

Freehold property	Not depreciated
Short-term leasehold improvements	25% per annum
Computer equipment	Between 20% and 50% per annum
Office equipment	Between 10% and 25% per annum
Data centre equipment	Between 6% and 10% per annum

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Details of the key assumptions and judgements are shown in note 11.

Leased assets

In accordance with IAS 17 Leases, the economic ownership of a leased asset is deemed to have been transferred to the Group (the lessee) if the Group bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance lease liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease. Where a lease is for land and buildings there is a split between land and buildings in the consideration as to whether there is a finance lease within the lease.

Taxation

Current tax is the tax currently payable based on taxable profit for the year. Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as share based remuneration) in which case the related deferred tax is also charged or credited directly to equity.

Financial assets

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade and other receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are re-measured at each reporting date at fair value, with changes in fair value being recognised in the income statement. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are categorised as at fair value through profit and loss on initial recognition. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Dividends

Dividend distributions payable to equity shareholders are included in "other short term financial liabilities" when the dividends are approved in general meeting prior to the balance sheet date. Scrip dividends are recognised at the fair value of the cash alternative.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Capital redemption reserve" represents set aside reserves in relation to previous redemption of own shares.
- "Retained earnings" represents retained profits.

Employee benefits

The Group operates a stakeholder pension scheme for the benefit of employees who wish to participate. The Group also makes contributions to executive directors' and some senior employees' personal defined contribution pension schemes. The pension costs charged against operating profit are the contributions payable to the schemes in respect of the accounting period.

Share-based payment

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2005 are recognised in the financial statements. All share-based payment arrangements in the Group are equity settled.
All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "Profit and loss reserve".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Government grants

Government grants relating to non-current assets are treated as deferred income and credited to the income statement in equal instalments over the anticipated useful lives of the assets to which the grants relate. Other grants are credited to the income statement over the period of the project to which they relate.

Segmental reporting

The Group's primary reporting format is business segments and its secondary format is geographical segments. The Group is primarily UK based and focused with sales to and costs in relation to other countries accounting for less than 10% of the Group's total. All assets are located in the UK. Therefore in line with IAS 14 para 69, no geographical breakdown is provided.

Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

The Group made an acquisition in the prior year. The allocation of fair values to the tangible and intangible assets , and liabilities affects goodwill, and the assignment of that to the cash generating unit, recognised in respect of this acquisition. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It should be noted that the fair values placed on the assets acquired were provisional and the omission of this term on the prior year financial statements was an oversight. Adjustments to fair values are on the basis of the initial recognition being provisional and the comparative figures for 2007 have been restated as a result of these adjustments to the fair values (see note 11).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Valuation of trade receivables

In assessing the recoverability of trade receivables the company uses historic performances to estimate likely future cash flows from contractual debt. Assumptions require to be made about the indicators of recoverability and any required provisions.

3. SEGMENTAL ANALYSIS

As at 31 March 2008 the Group is primarily organised into four main business segments, which are detailed below. During the year the Hosting division when added to the data centre operations acquired in the prior year grew substantially, and as such is now split out as a separate segment, where previously it was included in Easyspace.

- Netintelligence – provides 'software as a service' products for a range of internet control and security services
- Easyspace – a range of managed web hosting services and domain name registration services.
- Hosting – provision of data centre and managed hosting services.
- Ufindus – an internet business directory, providing a web marketing presence to the business community.

There are no other services provided by the Group which would constitute a separately disclosable segment.

"Easyspace is easy to use and we found its connectivity and customer service levels to be strong."
PC Pro January 08

Netintelligence's partnership with Carphone Warehouse led to a British Computing Society Medal for Business to Business Project Excellence.

Primary Reporting Segment – Business

Assets and Liabilities by Primary Segment

	2008			2007 (restated)		
	Total Assets £000's	Liabilities £000's	Net Assets (Liabilities) £000's	Total Assets £000's	Liabilities £000's	Net Assets (Liabilities) £000's
Netintelligence	931	(5,408)	(4,477)	468	(5,427)	(4,959)
Easyspace	21,018	(1,908)	19,110	19,278	(1,927)	17,351
Hosting	12,636	(10,201)	2,435	9,906	(4,818)	5,088
Ufindus	7,712	(2,914)	4,798	7,650	(4,992)	2,658
	42,297	**(20,431)**	**21,866**	**37,302**	**(17,164)**	**20,138**
Group assets			815			1,972
			22,681			**22,110**

The assets and liabilities of each business segment are derived using the same classifications as management reporting, including gross inter-segment balances, but net of inter-segment dividends paid.

Non-current assets acquired in the period by Primary Segment

	2008			2007 (restated)		
	Tangible non-current assets acquired in period £000's	Intangible non-current assets acquired in period £000's	Total £000's	Tangible non-current assets acquired in period £000's	Intangible non-current assets acquired in period £000's	Total £000's
Netintelligence	27	259	286	82	29	111
Easyspace	53	-	53	-	-	-
Hosting	567	2	569	7,319	2,421	9,740
Ufindus	133	381	514	799	282	1,081
	780	**642**	**1,422**	**8,200**	**2,732**	**10,932**

Revenue by Primary Segment

	2008			2007		
	External £000's	Internal £000's	Total £000's	External £000's	Internal £000's	Total £000's
Netintelligence	448	380	828	382	520	902
Easyspace	6,320	-	6,320	5,779	-	5,779
Hosting	1,349	144	1,493	830	-	830
Ufindus	11,932	-	11,932	14,095	-	14,095
	20,049	**524**	**20,573**	**21,086**	**520**	**21,606**

Profit by Primary Segment

	2008			2007		
	EBITDA £000's	Depreciation & amortisation £000's	Operating profit £000's	EBITDA £000's	Depreciation & amortisation £000's	Operating profit £000's
Netintelligence	403	(140)	263	(918)	(101)	(1,019)
Easyspace	1,996	(18)	1,978	1,601	(42)	1,559
Hosting	(2,134)	(519)	(2,653)	410	(24)	386
Ufindus	2,552	(411)	2,141	2,056	(599)	1,457
Group overheads	(1,853)	-	(1,853)	(1,818)	-	(1,818)
	964	(1,088)	(124)	1,331	(766)	565
Group interest and tax			477			1,615
Profit for the year			**353**			**2,180**

Group overheads, interest and tax are not allocated to segments.

4. OPERATING COSTS

Included within operating costs from continuing operations are the following items:

	2008 £'000	2007 £'000
Staff cost excluding development costs capitalised and research and development costs written to the income statement	10,249	11,815
Depreciation of property plant and equipment		
- Owned assets	611	568
- Leased assets	206	85
Property, plant and equipment hire		
- Land and buildings	1,406	586
- Plant and machinery	53	192
Amortisation of intangible assets	271	113
R&D written to income statement	92	367
Marketing and sales	768	1,197
Infrastructure	448	348
Provision for doubtful debts	553	475
Premises and office	2,171	1,447

Auditors' remuneration	**2008 £'000**	**2007 £'000**
- Fees payable for the audit of the consolidation and the parent company accounts	21	18
- Fees payable for audit of subsidiaries, pursuant to legislation	28	26
- Tax compliance fees	11	8
- Corporate finance and advisory transactions	14	25
	74	**77**

5.INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2008 £'000	2007 £'000
Directors' emoluments		
Aggregate emoluments	1,095	931
Pension contributions to personal money purchase schemes	29	27
Share based payments	84	58
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	246	189
Pension contributions to personal money purchase schemes	14	14

During the year the company made personal pension contributions to the personal pension schemes of 3 directors (2007: 3).
The aggregate amount of gains realised by directors on the exercise of share options during the year was nil (2007: £275,000).
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 10 to 12.

	No.	No.
Average number of persons employed by the Group (including directors):		
Technical	36	27
Customer services	78	85
Sales and marketing	231	345
Administration	55	50
	400	**507**

Number of persons employed by the Group at the year end		
Technical	38	39
Customer services	72	91
Sales and marketing	277	231
Administration	60	48
	447	**409**

	2008 £'000	2007 £'000
Staff costs of the Group during the year in respect of employees and directors were:		
Wages and salaries	9,705	11,141
Social security costs	978	1,073
Other pension costs	29	27
Share based payments	143	153
	10,855	**12,394**

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 defined contribution pension schemes.

6. NET FINANCE COST

	2008 £'000	2007 £'000
Finance income:		
Bank interest receivable	73	9
Interest on R & D tax credit	-	2
	73	11
Finance expenses:		
Bank overdraft and other borrowings	(96)	(341)
Finance leases	(28)	(17)
	(124)	**(358)**
Net finance cost	**(51)**	**(347)**

7.DIVIDENDS ON SHARES CLASSED AS EQUITY

	2008 £'000	2007 £'000
Paid during the year		
Equity dividends on ordinary shares of nil per share (2007: 3p)	-	2,334

The dividend paid in 2007 was offered both as cash and as scrip dividend with £1,284,000 paid in cash and £1,050,000 paid in ordinary shares in the Group.

8. TAXATION

	2008 £'000	2007 £'000
Research and development tax credit write-off	(53)	-
Tax charge for the current year	(53)	-
Deferred tax credit	581	1,985
Under provision in prior year	-	(23)
	528	**1,962**

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

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

	2008 £'000	2007 £'000
(Loss)/profit before tax	(175)	218
Tax (credit)/charge @ 30%	(53)	66
Expenses not deductible for tax purposes	16	1
Research and development tax credit write-off	53	-
Tax effect of share based remuneration	(88)	(127)
Movement in other deferred tax not recognised	26	(1,640)
Movement in short term temporary differences	-	(23)
Consolidation adjustments	(8)	(15)
Utilisation of tax losses	(473)	(255)
Depreciation in excess of capital allowances	(1)	8
Prior year adjustment	-	23
Tax credit for the current year	**(528)**	**(1,962)**

The weighted average applicable tax rate for the year ended 31 March 2008 was 30% (2007: 30%)

9. DEFERRED TAX

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

	2008		2007 (restated)	
	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000
Tax losses carried forward	2,384	2,192	1,985	1,755
Share based remuneration	205	-	-	-
Deferred tax on acquired assets with no capital allowances	(1,763)	-	(1,815)	-
Deferred tax	**826**	**2,192**	**170**	**1,755**

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

	2008 £'000	Restated 2007 £'000
Balance brought forward	170	-
Income statement movement arising during the year	581	170
Retained earnings movement during the year	75	-
Balance carried forward	**826**	**170**

The deferred tax asset in relation to tax losses carried forward arises from the unutilised tax losses of the hosting company. This trade was transferred from the Ufindus Limited subsidiary to iomart Hosting Limited on 1 February 2008. The deferred tax asset has been recognised in line with future projections of the hosting trade over a three year period. The basis of these projections are:

- The consistent success of the sales teams in generating new business
- Expectations about the retention of customers
- Continued success in achieving a particular product mix and maintaining price yield

Based on the current profitability of the hosting company, an assessment of projections and the expectations of sustainable profits in future years, a deferred tax asset in relation to the utilisation of these losses is recognised in line with IAS, '12 Income Taxes'.

The deferred tax asset in relation to share based remuneration arises from the anticipated future tax relief on the exercise of share options. In accordance with IAS 12, 'Income Taxes', £75,000 of the total deferred tax asset of £205,000 has been recognised directly in equity since this represents the excess of the estimated future tax deduction over the cumulative share based payment expense to date.

The deferred tax on acquired assets arises from the data centre equipment acquired through the acquisition of Ezee DSL Limited on which depreciation is charged but on which there are no capital allowances available.

10. EARNINGS 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. Fully diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the total of the weighted average number of ordinary shares in issue during the year and the dilutive potential ordinary shares relating to share options.

	2008 £'000	2007 £'000
Profit for the financial period and basic earnings attributed to ordinary shareholders	353	2,180
	No 000	**No 000**
Weighted average number of ordinary shares:		
For basic earnings per share	99,458	78,558
Exercise of share options	1,759	1,683
For diluted earnings per share	**101,217**	**80,241**
Basic earnings per share	0.35p	2.78p
Fully diluted earnings per share	0.35p	2.72p

11. INTANGIBLE ASSETS

	2007 (restated)			
	Goodwill £'000	Development costs £'000	Software £'000	Total £'000
Cost				
At 1 April 2006	14,289	140	211	14,640
Additions	4,236	-	29	4,265
Development cost capitalised	-	282	-	282
At 31 March 2007	**18,525**	**422**	**240**	**19,187**
Accumulated amortisation				
At 1 April 2006	-	(24)	(176)	(200)
Charge for the year	-	(88)	(25)	(113)
At 31 March 2007	**-**	**(112)**	**(201)**	**(313)**
Carrying amount				
At 31 March 2007	**18,525**	**310**	**39**	**18,874**
At 31 March 2006	14,289	116	35	14,440

	2008			
	Goodwill £'000	Development costs £'000	Software £'000	Total £'000
Cost				
At 1 April 2007	18,525	422	240	19,187
Additions	-	-	36	36
Development cost capitalised	-	606	-	606
At 31 March 2008	**18,525**	**1,028**	**276**	**19,829**
Accumulated amortisation				
At 1 April 2007	-	(112)	(201)	(313)
Charge for the year	-	(247)	(24)	(271)
At 31 March 2008	**-**	**(359)**	**(225)**	**(584)**
Carrying amount At 31 March 2008	**18,525**	**669**	**51**	**19,245**
At 31 March 2007	18,525	310	39	18,874

All depreciation and impairment charges are included in the depreciation, amortisation and impairment of non-financial assets classification, which is disclosed as administration expenses in the income statement.

Under the provisions of IFRS 3 'Business Combinations', the Group has finalised the fair value of the assets acquired in the Ezee DSL Limited acquisition. This has resulted in a movement between the classification of the assets acquired between Property, Plant and Equipment, Deferred Tax and Goodwill of £4m, with the prior year balance sheet restated as required. This is because some of the tangible assets acquired had considerably lower value than initially assessed on acquisition and all of the tangible assets had no capital allowances available. The increase in goodwill is justified in the impairment calculations below. Ezee DSL Limited is included within the Hosting division.

During the year, goodwill was reviewed for impairment in accordance with IAS 36, 'Impairment of Assets'. No impairment charges (2007: nil) arose as a result of this review.

For this review goodwill was allocated to individual Cash Generating Units (CGU) on the basis of the Group's operations. The carrying value of goodwill by each CGU is as follows:

Cash Generating Units (CGU)	2008 £'000	Restated 2007 £'000
Internetters	264	264
Nicnames	364	364
Easyspace	11,686	11,686
Ufindus	1,975	1,975
Hosting	4,236	4,236
	18,525	**18,525**

No goodwill in the Group is attributable to Netintelligence.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The growth rates and margins used to estimate future performance are based on past performance and the experience of growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The growth rates used to estimate future performance beyond the periods covered by the annual and strategic planning processes do not exceed the long-term average growth rates for similar products.

The assumptions used for the CGU included within the impairment reviews are as follows:

	Hosting	Internetters	Nicnames	Easyspace	Ufindus
Discount rate	16%	13%	13%	13%	13%
Future perpetuity rate	3.0%	1.0%	1.0%	2.5%	2.2%
Years for growth	5	5	5	5	5

12. PRINCIPAL SUBSIDIARIES

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	Scotland	Network security	100	
iomart Limited	Scotland	Dormant	100	
iomart Hosting Limited	Scotland	Managed hosting services	100	
Ufindus 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	
Ezee DSL Limited	England	Data centre services	99.8	

13. PROPERTY, PLANT AND EQUIPMENT

	2007 (restated)					
	Freehold property £'000	Leasehold improvements £'000	Data centre equipment £'000	Computer equipment £'000	Office equipment £'000	Total £'000
Cost						
At 1 April 2006	-	467	-	1,450	549	2,466
Additions in the year	-	54	-	750	77	881
Acquisition	837	-	6,297	-	185	7,319
At 31 March 2007	**837**	**521**	**6,297**	**2,200**	**811**	**10,666**
Accumulated depreciation						
At 1 April 2006	-	(277)	-	(909)	(397)	(1,583)
Charge for the year	-	(90)	-	(466)	(97)	(653)
Acquisition	-	-	(48)	-	(2)	(50)
At 31 March 2007	**-**	**(367)**	**(48)**	**(1,375)**	**(496)**	**(2,286)**
Carrying amount						
At 31 March 2007	**837**	**154**	**6,249**	**825**	**315**	**8,380**
At 31 March 2006	-	190	-	541	152	883

	2008					
	Freehold property £'000	Leasehold improvements £'000	Data centre equipment £'000	Computer equipment £'000	Office equipment £'000	Total £'000
Cost						
At 1 April 2007	837	521	6,297	2,200	811	10,666
Additions in the year	-	23	283	435	39	780
Disposals	-	-	-	(33)	-	(33)
At 31 March 2008	**837**	**544**	**6,580**	**2,602**	**850**	**11,413**
Accumulated depreciation						
At 1 April 2007	-	(367)	(48)	(1,375)	(496)	(2,286)
Charge for the year	-	(92)	(176)	(471)	(78)	(817)
At 31 March 2008	**-**	**(459)**	**(224)**	**(1,846)**	**(574)**	**(3,103)**
Carrying amount						
At 31 March 2008	**837**	**85**	**6,356**	**756**	**276**	**8,310**
At 31 March 2007	837	154	6,249	825	315	8,380

14. TRADE AND OTHER RECEIVABLES

	2008 £'000	2007 £'000
Trade receivables	3,255	3,670
Less: Provision for impairment	(1,608)	(1,584)
Trade receivables (net)	**1,647**	**2,086**
Other receivables	92	38
Prepayments and accrued income	1,382	812
Research and development tax credit	-	53
Trade and other receivables	**3,121**	**2,989**

The carrying amount of trade and other receivables approximates to their fair value, which has been calculated based on expectations of debt recovery from historic performances feeding into impairment provision calculations. Almost all trade receivables in the Group are individually small in terms of value, so are considered for impairment by business unit specific provision calculations and are not individually impaired.

To consider the total exposure to credit risks, the Group uses figures net of VAT. At 31 March 2008, £614,000 (2007: £827,000) of net trade receivables were fully performing. Net trade receivables of £293,000 (2007: £449,000) were past due, but not impaired. The aging below shows that almost all are less than three months old. Historic performance indicates a high probability of payment for debts in this aging. Those over three months relate to a small number of larger customers without history of default.

	2008 £'000	2007 £'000
Up to 3 months	273	417
Over 3 months but less than 6 months	20	6
Over 6 months but less than 1 year	-	20
Over 1 year	-	6
Total unimpaired trade receivables which are past due	**293**	**449**

No loans are issued by the group, therefore the trade and other receivables figure is also the Loans and Receivables figure required by IFRS 7.

15. CASH AND CASH EQUIVALENTS

	2008 £'000	2007 £'000
Cash at bank and on hand	1,105	999
Bank overdrafts (note 18)	(362)	(4,151)
Cash and cash equivalents	**743**	**(3,152)**

The credit risk on cash and cash equivalents is negligible because the counter parties are banks.

16. TRADE AND OTHER PAYABLES

	2008 £'000	2007 £'000
Trade payables	(792)	(928)
Other taxation and social security	(907)	(1,170)
Deferred grants	(2)	(26)
Accruals and deferred income	(3,088)	(2,212)
Trade and other payables	**(4,789)**	**(4,336)**

The carrying amount of trade and other payables approximates to their fair value. Trade payables are non-interest bearing and are generally on 30-day terms. The grants deferred are in relation to Regional Selective Assistance grants received in 2004 for capital expenditure which are recognised over the life of the assets.

17. DEFERRED CONSIDERATION

The Group continues to hold a deferred consideration in relation to the acquisition of Ezee DSL Limited. Under the Investment Agreement, the Group acquired 51% of the ordinary share capital for £4.8m. After the initial acquisition as a result of the vendor choosing not to provide working capital to Ezee DSL Limited, in accordance with the Investment Agreement, the Group became the beneficial and subsequently the registered owner of 99.8% of the ordinary share capital of Ezee DSL Limited. Additionally, within the Investment Agreement, the vendor was issued with a put option under which it can require iomart Group plc to purchase the remaining 0.2% of Ezee DSL Limited's share capital in the future. The vendor also issued a corresponding call option to the Group, under which the Group can require the vendor to sell the remaining 0.2% of Ezee DSL Limited's share capital in the future. These options have the same exercise dates and use the same pre-determined calculations to value the business and, subject to certain obligations which the vendor is required to fulfil, have a minimum value of £4.8m.

The Group believes that the maximum amount which will be paid to acquire the remaining 0.2% of the shares of Ezee DSL is the £4.8m minimum value which has been agreed within the Investment Agreement and has taken this to be the fair value of the put option held by the vendor. It is deemed highly probable that the option will be exercised. The Group believes the value of the call option to be nil.

18. BORROWINGS

	2008 £'000	2007 £'000
Current:		
Obligations under finance leases	(240)	(161)
Bank loan	(432)	(871)
Current borrowings	**(672)**	**(1,032)**
Bank overdraft (included in cash and cash equivalents note 15)	**(362)**	**(4,151)**
Non-current:		
Obligations under finance leases	(187)	(212)
Bank loan	-	(437)
Total non-current borrowings	**(187)**	**(649)**
Total borrowings	**(1,221)**	**(5,832)**

The carrying amount of trade and other payables approximates to their fair value.

Finance leases

	2008		2007	
Leases which expire:	**Carrying amount £'000**	**Fair value £'000**	**Carrying amount £'000**	**Fair value £'000**
Within one year	240	240	161	161
Within two to five years	187	187	212	212
	427	**427**	**373**	**373**

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 8.2% (2007: 7.2%).

The carrying amounts of short-term borrowings approximate their fair value and all of the Group's borrowings are denominated in pound sterling.

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

	2008			2007		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	240	20	260	161	20	181
Due between one and five years	187	10	197	212	10	222
	427	**30**	**457**	**373**	**30**	**403**

The Group in its ordinary course of business enters into hire purchase and finance lease agreements to fund or re-finance the purchase of computer equipment and software. The lease agreements are typically for periods of 2 to 3 years and do not have contingent rent or escalation clauses. The agreements have industry standard terms and do not contain any restrictions on dividends, additional debt or further leasing.
The finance lease liability has an effective interest rate of 7.0% (2007: 7.3%). Lease payments are made on a monthly basis. The future lease obligation of £457,000 (2007: £403,000) has present value of £443,000 (2007: £363, 000).

The bank loan and overdrafts are 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 (except Ezee DSL Limited) and are repayable as follows:

	2008 £'000	2007 £'000
Due within one year	(794)	(5,022)
Due between one and two years	-	(437)
	(794)	**(5,459)**

The bank overdrafts are repayable on demand. The bank loan and the bank overdrafts bear interest between 2.5% and 2.75% above the Bank of Scotland base rate.

19. OPERATING LEASES

The Group has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008		2007	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	1,324	46	578	53
Within two to five years	4,985	18	1,780	42
After five years	7,988	-	1,916	-
	14,297	**64**	**4,274**	**95**

Lease terms for land and buildings
Operating leases do not contain any contingent rent clauses. None of the operating leases contain renewal of purchase options or escalation clauses or any restrictions regarding further leasing or additional debt.

20. SHARE CAPITAL

	Ordinary shares of 1p each Number of shares	£'000
Authorised		
At 31 March 2006, 2007, and 2008	**200,000,000**	**2,000**
Called up, allotted and fully paid		
At 31 March 2006	77,265,054	773
Scrip dividend	1,522,995	15
Issue of Shares	20,000,000	200
Exercise of options	664,586	6
At 31 March 2007	**99,452,635**	**994**
Exercise of options	6,667	-
At 31 March 2008	**99,459,302**	**994**

During the year the company issued an additional 6,667 (2007: 664,586) ordinary shares of 1p each in respect of the exercise of options, for which a net total of £416 (2007: £43,000) was received.

The share capital of iomart Group plc consists of ordinary shares with a par value of 1p. All shares are equally eligible to receive dividends and represent one vote at the shareholders' meetings of iomart Group plc. All shares issued at 31 March 2008 are fully paid.

21. SHARE BASED PAYMENTS

The Group operates the following share based payment employee share option schemes; Enterprise Management Incentive scheme, Sharesave scheme, a number of other approved schemes and a number of unapproved schemes. All schemes are settled in equity only and are summarised below.

	Vesting period	Maximum term	Performance criteria	Required to remain in employment
Enterprise Management Incentive scheme	Between 1 and 3 years from grant	10 years after date of grant	As set by Remuneration Committee	Yes
Sharesave scheme	3 years from grant	6 months after vesting period	No	No
Other approved schemes	Between 1 and 3 years from grant	10 years after date of grant	As set by Remuneration Committee	Yes
Unapproved schemes	3 years from grant	10 years after date of grant	As set by Remuneration Committee	Yes

Details of options and awards outstanding, and a reconciliation of movements in the year in respect of the Company's ordinary shares of 1p each, under the various schemes are as follows:

As at 31 March 2008									
Details			Options for shares outstanding						Options for shares exercisable
Exercise price	Exercise date	Expiry date	31 March 2007	Issued	Forfeited	Exercised	Expired	31 March 2008	31 March 2008
Enterprise management incentive scheme									
6.25	26/07/2002	26/07/2012	266,666	-	-	-	-	266,666	266,666
6.25	26/07/2003	26/07/2012	266,666	-	-	-	-	266,666	266,666
6.25	26/07/2004	26/07/2012	266,668	-	-	-	-	266,668	266,668
6.25	02/07/2004	02/07/2013	44,583	-	-	-	-	44,583	44,583
6.25	02/07/2005	02/07/2013	51,916	-	-	(3,333)	-	48,583	48,583
6.25	02/07/2006	02/07/2013	57,585	-	-	(3,334)	-	54,251	54,251
78.50	17/11/2007	17/11/2014	583,818	-	-	-	-	583,818	583,818
74.00	24/08/2009	24/08/2016	64,865	-	-	-	-	64,865	-
50.50	27/09/2010	27/09/2017	-	85,982	-	-	-	85,982	-
43.50	20/12/2007	20/12/2017	-	200,000	-	-	-	200,000	200,000
43.50	20/06/2008	20/12/2017	-	210,000	-	-	-	210,000	-
43.50	20/12/2008	20/12/2017	-	210,000	-	-	-	210,000	-
43.50	20/06/2009	20/12/2017	-	210,000	-	-	-	210,000	-
43.50	20/12/2009	20/12/2017	-	129,540	-	-	-	129,540	-
43.50	20/06/2010	20/12/2017	-	10,000	-	-	-	10,000	-
Savings related scheme									
76.00	01/03/2009	01/09/2009	337,565	-	-	-	-	337,565	-
Unapproved schemes									
11.75	31/10/2001	31/10/2011	50,000	-	-	-	-	50,000	50,000
78.50	17/11/2007	17/11/2014	4,256,182	-	-	-	-	4,256,182	4,256,182
5.00	11/05/2000	29/03/2010	276,886	-	-	-	-	276,886	276,886
5.00	11/02/2001	29/03/2010	276,887	-	-	-	-	276,887	276,887
5.00	11/02/2002	29/03/2010	276,887	-	-	-	-	276,887	276,887
74.00	24/08/2009	24/08/2016	135,135	-	-	-	-	135,135	-
50.50	27/09/2010	27/09/2017	-	914,018	-	-	-	914,018	-
43.50	20/12/2009	20/12/2017	-	80,460	-	-	-	80,460	-
43.50	20/06/2010	20/12/2017	-	200,000	-	-	-	200,000	-
Approved Schemes									
44.00	24/01/2004	24/01/2011	37,500	-	-	-	-	37,500	37,500
13.50	26/09/2004	26/09/2011	5,000	-	-	-	-	5,000	5,000
11.75	31/10/2004	31/10/2011	23,888	-	-	-	-	23,888	23,888
Total			7,278,697	2,250,000	-	(6,667)	-	9,522,030	6,934,465
Weighted Average Exercise price			**59.50p**	**46.61p**	**n/a**	**6.25p**	**n/a**	**56.49p**	**57.87p**

As at 31 March 2007									
Details			Options for shares outstanding						Options for shares exercisable
Exercise price	Exercise date	Expiry date	31 March 2006	Issued	Forfeited	Exercised	Expired	31 March 2007	31 March 2007
Enterprise management incentive scheme									
6.25	26/07/2002	26/07/2012	266,666	-	-	-	-	266,666	266,666
6.25	26/07/2003	26/07/2012	266,666	-	-	-	-	266,666	266,666
6.25	26/07/2004	26/07/2012	266,668	-	-	-	-	266,668	266,668
6.25	02/07/2004	02/07/2013	138,245	-	(6,666)	(86,996)	-	44,583	44,583
6.25	02/07/2005	02/07/2013	215,414	-	(6,666)	(156,832)	-	51,916	51,916
6.25	02/07/2006	02/07/2013	265,011	-	(6,668)	(200,758)	-	57,585	57,585
78.50	17/11/2005	17/11/2014	6,666	-	(6,666)	-	-	-	-
78.50	17/11/2006	17/11/2014	6,667	-	(6,667)	-	-	-	-
78.50	17/11/2007	17/11/2014	590,485	-	(6,667)	-	-	583,818	-
74.00	24/08/2009	24/08/2016		64,865	-	-	-	64,865	-
Savings related scheme									
76	01/03/2009	01/09/2009	545,761	-	(208,196)	-	-	337,565	-
Unapproved schemes									
11.75	31/10/2001	31/10/2011	50,000	-	-	-	-	50,000	50,000
6.25	27/06/2002	27/06/2007	33,333	-	-	(33,333)	-	-	-
6.25	27/06/2003	27/06/2007	33,333	-	-	(33,333)	-	-	-
6.25	27/06/2004	27/06/2007	33,334	-	-	(33,334)	-	-	-
78.50	17/11/2007	17/11/2014	4,256,182	-	-	-	-	4,256,182	
5.00	11/05/2000	29/03/2010	276,886	-	-	-	-	276,886	276,886
5.00	11/02/2001	29/03/2010	276,887	-	-	-	-	276,887	276,887
5.00	11/02/2002	29/03/2010	276,887	-	-	-	-	276,887	276,887
74.00	24/08/2009	24/08/2016	-	135,135	-	-	-	135,135	
Approved Schemes									
44.00	24/01/2004	24/01/2011	37,500	-	-	-	-	37,500	37,500
13.50	26/09/2004	26/09/2011	5,000	-	-	-	-	5,000	5,000
11.75	31/10/2004	31/10/2011	23,888	-	-	-	-	23,888	23,888
9.00	27/02/2005	27/02/2012	100,000	-	-	(100,000)	-	-	-
Total			7,971,479	200,000	(248,196)	(644,586)	-	7,278,697	1,901,132
Weighted Average Exercise price			**55.14 p**	**74.00p**	**70.58p**	**6.68p**	**n/a**	**59.50p**	**6.68p**

In accordance with the transitional provisions of IFRS, the requirements of IFRS 2 Share Based Payment have not been applied to equity instruments that were granted before 7 November 2002 or equity instruments that were granted after 7 November 2002 that had vested before the date of transition, being 1 April 2005. Therefore the following disclosures relate only to awards made after 7 November 2002 that had not vested by 1 April 2005.

As disclosed in note 5, a share based payment charge of £143,000 (2007: £153,000) has been recognised in the income statement during the year in relation to the above schemes. The fair value of the employee services received is valued indirectly by valuing the options granted using the Black-Scholes option pricing model, which worked on the following assumptions.

Grant date	**02-Jul-03**	**02-Jul-03**	**17-Nov-04**	**01-Mar-06**	**24-Aug-06**	**27-Sep-07**
Vesting date	**02-Jul-05**	**02-Jul-06**	**17-Nov-07**	**01-Mar-09**	**01-Mar-09**	**27-Sep-10**
Variables used						
Share price at grant date	13.75p	13.75p	78.50p	95.00p	95.00p	51.50p
Volatility	50%	50%	35%	49%	49%	41%
Dividend yield	0.00%	0.00%	1.27%	3.16%	3.16%	0.00%
Number of employees holding options/units	9	9	6	46	46	2
Option/award life (years)	10	10	10	10	10	10
Expected life (years)	2.5	3.5	3.0	3.0	3.0	3.0
Risk free rate	4%	4%	4%	4.17%	4.17%	5.02%
Expectations of meeting performance criteria	100%	100%	42%	100%	100%	100%
Fair value	**8.53p**	**8.95p**	**20.41p**	**35.77p**	**35.77p**	**17.42p**
Exercise price per share	6.25p	6.25p	78.50p	78.50p	78.50p	50.50p

Grant date	**20-Dec-07**	**20-Dec-07**	**20-Dec-07**	**20-Dec-07**	**20-Dec-07**	**20-Dec-07**
Vesting date	**20-Dec-07**	**20-Jun-08**	**20-Dec-08**	**20-Jun-09**	**20-Dec-09**	**20-Jun-10**
Variables used						
Share price at grant date	38.50p	38.50p	38.50p	38.50p	38.50p	38.50p
Volatility	46%	46%	46%	46%	46%	46%
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Number of employees holding options/units	5	5	5	5	5	5
Option/award life (years)	10	10	10	10	10	10
Expected life (years)	0.5	0.5	1.0	1.5	2.0	2.5
Risk free rate	4.57%	4.57%	4.57%	4.57%	4.57%	4.57%
Expectations of meeting performance criteria	100%	100%	100%	100%	100%	100%
Fair value	**3.47p**	**3.47p**	**5.86p**	**7.76p**	**9.39p**	**10.83p**
Exercise price per share	43.50p	43.50p	43.50p	43.50p	43.50p	43.50p

i) Expected volatility was determined at the date of grant from historic volatility, adjusted for events that were not considered to be reflective of the volatility of the share price going forward
ii) Risk free rate was calculated based on the average Bank of England zero coupon yields.

22. ANALYSIS OF CHANGE IN NET DEBT

	2007 £'000	**Inception of finance lease £'000**	**Cash flow £'000**	**2008 £'000**
Cash and cash equivalents	999	-	106	1,105
Bank overdrafts	(4,151)	-	3,789	(362)
Bank loan	(1,308)	-	876	(432)
Finance leases and hire purchase	(373)	(260)	206	(427)
Net debt	**(4,833)**	**(260)**	**4,977**	**(116)**

23. RELATED PARTY TRANSACTIONS

The only related party transactions in the year were the payments to key management (only directors are deemed to fall into this category) disclosed in note 5.

24. CONTINGENCIES AND COMMITMENTS

(a) Contingencies
There were no contingent assets or contingent liabilities as at 31 March 2008 (2007: nil).

(b) Commitments
The future annual minimum lease payments under non-cancelable operating leases are as follows:

	2008 £'000	2007 £'000
No later than 1 year	76	149
Later than 1 year and no later than 5 years	78	94
Later than 5 years	1,216	388
	1,370	**631**

Capital expenditure on property, plant and equipment committed by the Group at 31 March 2008 was £370,000 (2007: £nil).

25. RISK MANAGEMENT

The Group finances its operations 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, short term receivables/payables and borrowings.

	2008 £'000	2007 £'000
Financial assets		
The Group's financial assets are:		
Trade receivables	1,648	2,086
Cash and cash equivalents	1,105	999
	2,753	**3,085**
Maturing		
One year or less or on demand	2,753	3,085
Financial liabilities		
The Group's financial liabilities and their maturity profile are:		
Trade payables	(792)	(928)
Finance leasing capital obligations	(427)	(373)
Bank overdrafts – floating rate	(362)	(4,151)
Bank loan – floating rate	(432)	(1,308)
	(2,013)	**(6,760)**

All of the fixed interest obligations are repayable within one year. An analysis of the maturity of Group debt is given in note 18. For the purposes of IFRS 7, all Financial assets are classified as 'Loans and receivables' and all Financial liabilities are classified as 'Other financial liabilities'.

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, overdraft and cash at bank is determined by reference to the base rate.
At the year end, the Group had a committed overdraft facility of £4,500,000 (2007 - £4,500,000). This facility was cancelled by the Group on 15 July 2008 following the receipt of the disposal proceeds from the sale of Ufindus Limited to British Telecommunications PLC (note 26).

Currency risk

No forward foreign exchange contracts were entered into during the year. There were no outstanding foreign exchange contracts at the end of the current or the preceding year. The Group has no non-monetary assets or liabilities denominated in foreign currencies. The monetary assets and liabilities and the level of transactions denominated in foreign currencies is minimal and there is no significant currency risk.

Credit risk

The majority of the Group's customers are small businesses and a significant number of these customers take advantage of the deferred payment terms offered by the Group, however the revenue recognition policy takes account of this, so that there is no exposure from the deferred payment terms. Therefore the Group consider that the trade receivables which are stated net of applicable provisions represent the total amount exposed to credit risk.

Further information on financial instruments policy and procedures is given in the Directors' Report.

26. POST BALANCE SHEET EVENT

On 9 July 2008, the Group completed the sale of its subsidiary Ufindus Limited, to British Telecommunications plc for a total cash consideration of £20 million. This disposal is expected to generate a profit of £15 million before goodwill adjustments. The Group has given certain warranties in connection with the disposal. Of the total cash consideration, £2 million has been placed into escrow against warranty claims and subject to any warranty claims, £1 million will be released after 6 months and the remainder will be released after 24 months.

“During 2007/08, the Group received over 10 major industry awards and nominations, ranging from Best Security Service Europe to Best Managed Service Provider of the Year.”

Holding Company Financial Statements

Year ended 31March 2008

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF IOMART GROUP PLC

We have audited the parent company financial statements of iomart Group plc for the year ended 31 March 2008 which comprise the principal accounting policies, the balance sheet and notes 1 to 15. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of iomart Group plc for the year ended 31 March 2008.

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 auditor's 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 preparing the Annual Report and the parent company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, Chief Executive Officer's Report and the Finance Director's Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's Statement, the Chief Executive Officer's Report, the Finance Director's Report, the Directors' Report, the Statement of Director's Responsibilities, Report of the Board to the Members on Directors' Remuneration and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company'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 parent company 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 parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of the Company's profit for the year then ended;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR, CHARTERED ACCOUNTANTS
GLASGOW
28 July 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Investments	4	20,033	19,930
		20,033	**19,930**
CURRENT ASSETS			
Debtors	5	11,585	23,304
		11,585	**23,304**
CREDITORS: amounts falling due within one year	7	(6,406)	(18,072)
NET CURRENT ASSETS		**5,179**	**5,232**
TOTAL ASSETS LESS CURRENT LIABILITIES		25,212	25,162
CREDITORS: amounts falling due after more than one year	8	-	(437)
NET ASSETS		**25,212**	**24,725**
CAPITAL AND RESERVES			
Called up share capital	10	994	994
Capital redemption reserve	11	1,200	1,200
Share premium account	11	17,541	17,541
Profit and loss account	11	5,477	4,990
TOTAL EQUITY SHAREHOLDERS' FUNDS		**25,212**	**24,725**

These financial statements were approved by the board of directors on 28 July 2008.
Signed on behalf of the board of directors

Angus MacSween
Director and Chief Executive Officer

1. ACCOUNTING POLICIES

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

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.

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, which transfer substantially all the risks and rewards of ownership, 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. PROFIT 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 period after taxation was £242,000 (2007: loss £4,863,000).

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2008 £'000	2007 £'000
Staff costs of the company during the year in respect of employees and directors were:		
Executive directors' remuneration	151	95
Non-executive directors' remuneration	95	84
Social security costs	22	16
	268	**195**

The company makes contributions to executive directors' and some senior employees' personal defined contribution pension schemes. These are the only pension arrangements of the holding company.

4. INVESTMENTS HELD AS FIXED ASSETS

The company	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2007	21,430
Share based payment	103
Cost at 31 March 2008	**21,533**
Impairment	
Impairment at 31 March 2007 and 31 March 2008	**(1,500)**
Net book value of Investments at 31 March 2008	**20,033**
Net book value of Investments at 31 March 2007	**19,930**

All of the above investments are unlisted.

The following subsidiaries are included in the company financial statements:

	Country of registration and operation	Activity	Ordinary share capital Owned by company %	Owned by subsidiary undertakings %
Netintelligence Limited	Scotland	Network security	100	
iomart Limited	Scotland	Dormant	100	
iomart Hosting Limited	Scotland	Managed hosting services	100	
Ufindus 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	
Ezee DSL Limited	England	Data centre provision	99.8	

5. DEBTORS

	2008 £'000	2007 £'000
Prepayments and accrued income	96	7
Amounts due from share placing	-	10,466
Other taxation and social security	323	-
Deferred taxation (note 6)	205	-
Amounts owed by subsidiary undertakings	10,961	12,831
	11,585	**23,304**

6. DEFERRED TAXATION

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

	2008		2007	
	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000
Share based remuneration	205	-	-	-

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

	2008 £'000	2007 £'000
Balance brought forward	-	-
Profit and loss account reserve movement during the year	205	-
Balance carried forward	**205**	**-**

The deferred tax asset in relation to share based remuneration arises from the anticipated future tax relief on the exercise of share options.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Bank loan	432	871
Bank overdraft	277	4,001
Trade creditors	342	115
Other taxation and social security	179	561
Accruals and deferred income	257	134
Amounts due on acquisition	-	4,800
Amounts owed by subsidiary undertakings	4,919	7,590
	6,406	**18,072**

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

	2008 £'000	2007 £'000
Bank loan	-	437

9. BORROWINGS

	2008 £'000	2007 £'000
Current:		
Bank loan	432	871
Bank overdrafts	277	4,001
Total current borrowings	**709**	**4,872**
Non-current:		
Bank loan	-	437
Total non-current borrowings	-	437
Total borrowings	**709**	**5,309**

10. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2006, 2007 and 2008	**200,000,000**	**2,000**
Called up, allotted and fully paid		
At 31 March 2007	99,452,635	994
Exercise of options	6,667	-
At 31 March 2008	**99,459,302**	**994**

The share capital of iomart Group plc consists of ordinary shares with a par value of £0.01. All shares are equally eligible to receive dividends and represent one vote at the shareholders' meetings of iomart Group plc. All shares issued at 31 March 2008 are fully paid.
During the year the company issued an additional 6,667 (2007: 664,586) ordinary shares of 1p each in respect of the exercise of options, for which a net total of £416 (2007: £43,000) was received.

11. STATEMENT OF MOVEMENT IN RESERVES

	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
Profit for the financial period	-	-	242
Share based payments in company only	-	-	40
Deferred tax on share based remuneration	-	-	205
Opening balance	1,200	17,541	4,990
Closing balance	**1,200**	**17,541**	**5,477**

12. MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Profit/(loss) for the financial period	242	(4,863)
Dividend paid	-	(2,334)
Share capital issued	-	11,559
Share based payments in company only	40	6
Deferred tax on share based remuneration	205	-
	487	**4,368**
Opening shareholders' funds	24,725	20,357
Closing shareholders' funds	**25,212**	**24,725**

13. SHARE BASED PAYMENTS

For details of share based payment awards and fair values see note 21 to the Group financial statements. The Company accounts recognise the charge for share based payments for the year of £143,000 (2007: £153,000) by;

1) taking the charge in relation to employees of the holding company through the holding company income statement,

2) recording an increase to its investment in subsidiaries for the amounts attributable to directors of subsidiaries and recording a corresponding entry to the profit and loss account reserve

14. CONTINGENCIES AND COMMITMENTS

(a) Contingencies
There are no contingent assets or contingent liabilities present as at 31 March 2008 (2007 Nil).

(b) Commitments
There are no commitments present as at 31 March 2008 (2007 Nil).

15. POST BALANCE SHEET EVENT

On 9 July 2008, the Company completed the sale of its investment in Ufindus Limited, to British Telecommunications plc for a total cash consideration of £20 million. This disposal is expected to generate a profit, excluding Group balances, of £11 million for the Company. The Company has given certain warranties in connection with the disposal. Of the total cash consideration, £2 million has been placed into escrow against warranty claims and subject to any warranty claims, £1 million will be released after 6 months and the remainder will be released after 24 months.

Notice of the 2008 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2008 annual general meeting of iomart Group plc will be held at Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow G20 0SP on 29 September 2008 at 4.00 pm, for the purpose of considering and, if thought fit, transacting the following business:-

As Ordinary Business, ordinary resolutions will be proposed as follows:-

1 To receive and adopt the financial statements of the company and the directors' and auditors' reports thereon for the year ended 31 March 2008.

2 To reappoint Ian Ritchie (who was appointed by the board since the last annual general meeting) as a director of the company.

3 To reappoint Sarah Haran (who retires by rotation and, being eligible, offers herself for re-election) as a director of the company.

4 To reappoint Christopher Batterham (who retires by rotation and, being eligible, offers himself for re-election) as a director of the company.

5 To reappoint Grant Thornton UK LLP, Chartered Accountants, as auditors of the company and to authorise the directors to fix their remuneration.

6 To approve the report of the board to the members on directors' remuneration for the year ended 31 March 2008.

As further Special Business, resolutions will be proposed as follows:-

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

"That the directors be and they are hereby 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 £393,538; 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."

8 To consider and, if thought fit, pass the following resolution as a special resolution of the company:-

"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) for cash pursuant to the authority conferred by resolution 7 above as if Section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to:-

(a) the allotment of equity securities in connection with one or more issues 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 practicable) 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, regulatory or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory;

(b) the allotment of equity securities pursuant to any authority conferred upon the directors in accordance with and pursuant to article 143 of the articles of association of the company; and

(c) the allotment (otherwise than pursuant to (a) and/or (b) above) of equity securities up to an aggregate nominal amount of £49,720;

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, 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."

9 To consider and, if thought fit, pass the following resolution as a special resolution of the company:-

"That the company be generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) on a recognised investment exchange (as defined in section 163(4) of the Act) of ordinary shares of 1p each in the capital of the company ("Ordinary Shares") provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 9,943,930 (representing 10% of the company's issued ordinary share capital at the date of the notice of this annual general meeting);

(b) the minimum price, exclusive of any expenses, which may be paid for any such Ordinary Share is 1p;

(c) the maximum price, exclusive of any expenses, which may be paid for any such Ordinary Share shall be not more than 5% above the average of the middle market quotations for an Ordinary Share on the relevant investment exchange on which the Ordinary Shares are traded for the five business days immediately preceding the date on which such Ordinary Share is contracted to be purchased;

(d) unless previously revoked or varied, the authority hereby conferred shall expire on the earlier of the date which is fifteen months from the date of the passing of this resolution and the conclusion of the next annual general meeting of the company; and

(e) the company may make a contract or contracts for the purchase of Ordinary Shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority, and may make purchases of Ordinary Shares in pursuance of such a contract or contracts as if such authority had not expired."

By order of the board

Bruce Hall
Company Secretary

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

28 July 2008

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 Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR, 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.

Explanatory Notes to the Notice of Annual General Meeting

Resolutions to be considered as Special Business

Resolution 7 - Allotment authority

Resolution 7 renews an authority given to the directors at the last annual general meeting of the company, held on 27 July 2007, which expires at this meeting, and authorises the directors generally and unconditionally, in accordance with Section 80 of the Companies Act 1985 (the "Act"), to allot unissued shares in the capital of the company during the period expiring (unless sooner revoked or varied by the company) on the conclusion of the next annual general meeting of the company or 29 December 2009, whichever occurs first, up to a maximum aggregate nominal value of £393,538, being equal to the total of 30% of the company's issued share capital and the number of shares needed to satisfy the requirement to issue shares in respect of outstanding share options. This resolution complies with the guidelines issued by the Investment Committees of the ABI and the National Association of Pension Funds (the "IPCs") in respect of companies whose shares are admitted to the Official List of the UK Listing Authority. The IPCs regard it as good practice for the guidelines to be followed by companies whose shares are traded on the Alternative Investment Market of the London Stock Exchange.

Resolution 8 - Disapplication of pre-emption rights

Resolution 8 renews an authority given to the directors at the last annual general meeting of the company, held on 27 July 2007, which expires at this meeting.

Under Section 89(1) of the Act, if the directors wish to allot any of the unissued shares for cash, they must in the first instance offer them to existing shareholders in proportion to the number of shares they each hold at that time. An offer of this type is called a "rights issue" and the entitlement to be offered a new share is known as a "pre-emption right". There may be circumstances, however, where it is in the interests of the company for the directors to allot some of the new shares for cash other than by way of a rights issue. This cannot be done under the Act unless the shareholders first waive their pre-emption rights. Resolution 8 asks shareholders to do this, but only in respect of new shares equal to 5 per cent. of the company's issued ordinary share capital at the date of the notice of annual general meeting.

The directors will be able to use this power without obtaining further authority from shareholders before they allot new shares covered by it. If the directors wish, other than by rights issue, to allot for cash new shares which would exceed the 5 per cent. limit referred to above, they would first have to ask the company's shareholders to waive their pre-emption rights in respect of that proportion of new shares which exceeds the 5 per cent. ceiling.

There are legal, regulatory and practical reasons why it may not always be possible to issue new shares under a rights issue to some shareholders, particularly those resident overseas. To cater for this, Resolution 8, in authorising the directors to allot new shares by way of a rights issue, also permits the directors to make appropriate exclusions or arrangements to deal with such difficulties.

The power given by Resolution 8 will, unless sooner revoked or varied by the company, last until next year's annual general meeting or 29 December 2009, whichever occurs first. This resolution complies with the IPCs' guidelines.

Resolution 9 – Authority to purchase company's own shares

This resolution grants authority to the company to make purchases of up to a maximum of 10% of the issued ordinary share capital of the company.

In certain circumstances it may be advantageous for the company to purchase its Ordinary Shares. The directors would use the share purchase authority with discretion and purchases would only be made from funds not required for other purposes and in light of market conditions prevailing at the time. In reaching a decision to purchase Ordinary Shares, your directors would take account of the company's cash resources and capital, the effect of such purchases on the company's business and on earnings per Ordinary Share.

The directors have no present intention of using the authority. However, the directors consider that it is in the best interests of the company and its shareholders as a whole that the company should have the flexibility to buy back its own shares should the directors in the future consider that it is appropriate to do so.

In relation to any buy back, the maximum price per Ordinary Share at which the company is authorised in terms of Resolution 9 to affect that buy back is 5% above the average middle market price of an Ordinary Share for the five business days immediately preceding the date on which the buy back is effected.

Officers and Professional Advisers

Ian Ritchie
CBE, FREng, FRSE, FBCS, CEng, BSc
Non Executive Chairman

Angus MacSween
Chief Executive Officer

Chris Batterham MA, FCA
Non Executive Director

Sarah Haran
Director

Richard Logan BA, CA
Director

Fred Shedden MA, LLB
Non Executive Director

Bruce Hall BAcc (Hons), CA
Secretary

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 1PH

Bankers
Bank of Scotland, 235 Sauchiehall Street, Glasgow G2 3EY

Solicitors
McGrigors LLP, 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

Company Registration Number
SC204560

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