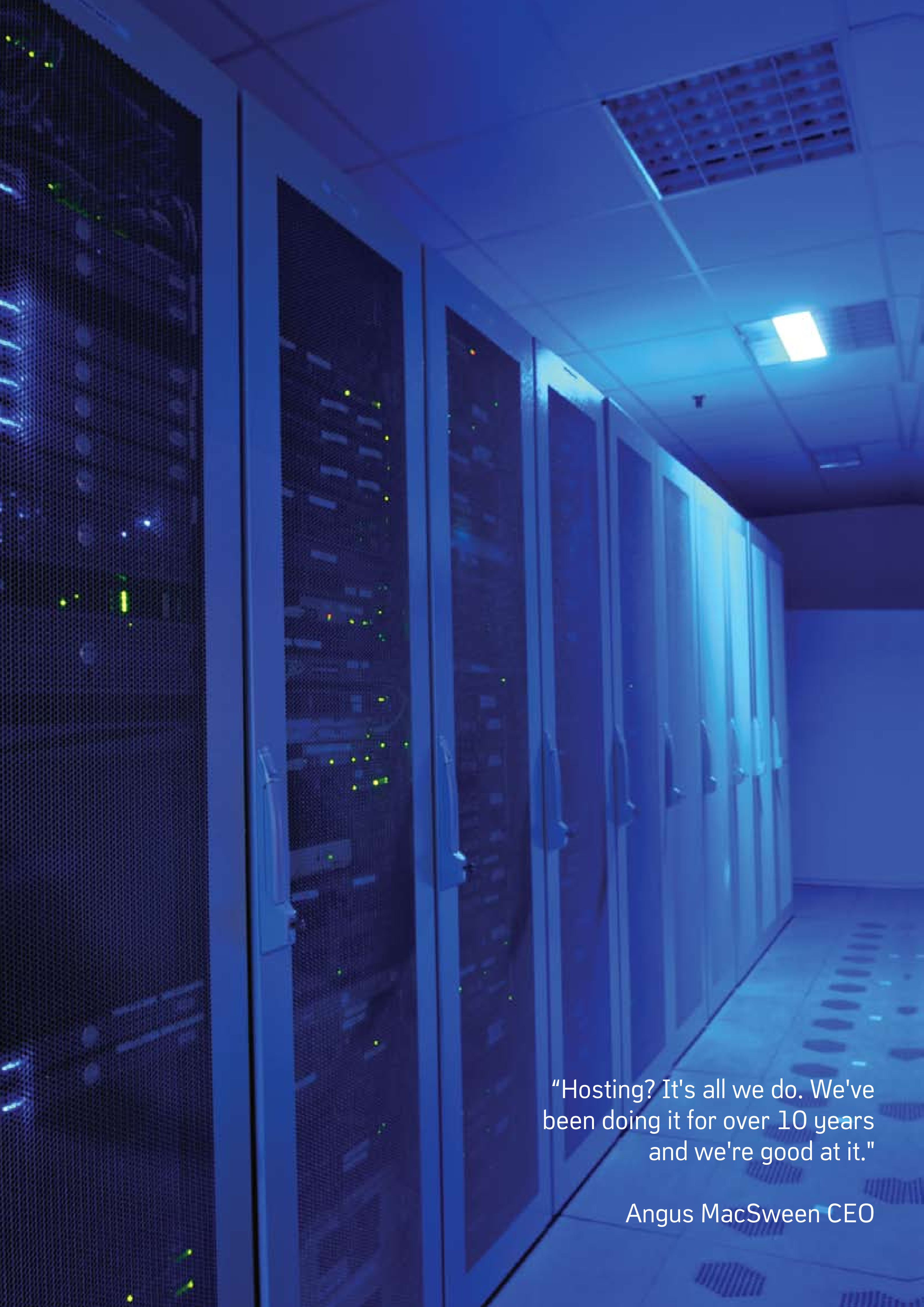
iomart
100% Uptime

Annual Report and Accounts 2009

The natural choice for hosting



“Hosting? It's all we do. We've been doing it for over 10 years and we're good at it."

Angus MacSween CEO

Highlights

- **£5.2M Acquisition of RapidSwitch post year end**
- **Re-establishment of a dividend policy with the Board proposing to pay 0.3p per share**
- **Successful disposal of non core Directory business to BT for £20M**

- **Revenue**
  - Group revenues increased by 45% to £11.8M from continuing operations
  - iomart Hosting revenues increased by 155% to £4.6M
  - Easyspace revenues increased by 14% to £7.2M

- **Profitability**
  - Post tax profit £11.2M from total operations
  - Group EBITDA losses before share based payments improved to (£0.3M) from (£1.4M) from continuing operations
  - 52% Gross margin maintained

- **Operational**
  - All 4 UK data centres fully commissioned and operational
  - Achievement of ISO 9001 & ISO 27001 quality certification
  - iomart Hosting gains 60 new corporate customers

iomart
100% Uptime

45%
Increase
in Revenue

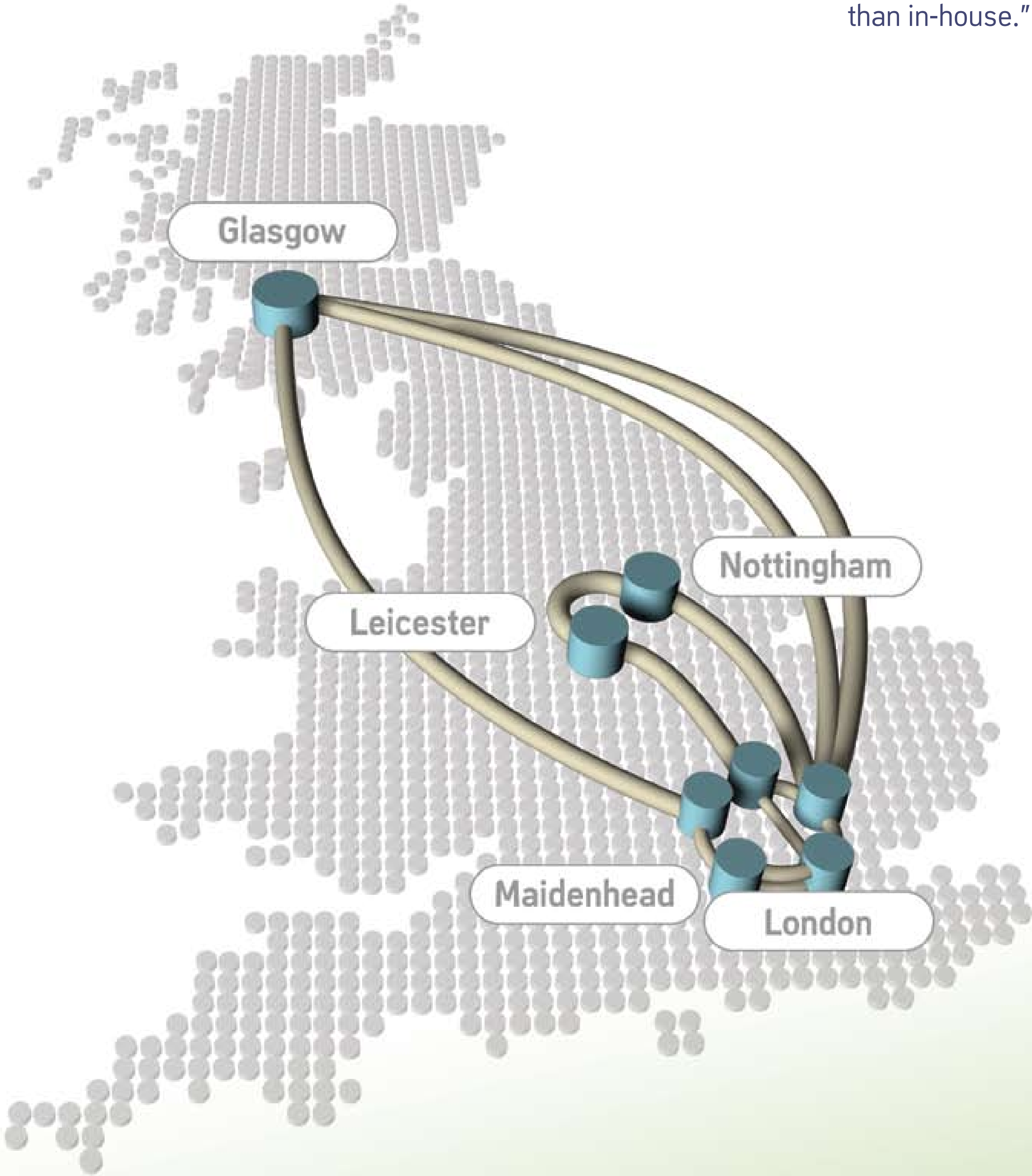
155%
Growth
iomart Hosting

14%
Growth
Easyspace

£11.2M
Post Tax Profit

£13.9M
Cash

"We are beginning to see the benefit of our geographically spread UK network of data centres, and we are able to offer a uniquely resilient high availability 'infrastructure as a service' solution for organisations on an outsourced basis at lower cost than in-house."



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"Our business is selling hotels throughout the world online - if our website is down we don't get any business. iomart's managed hosting service gives me nothing but complete confidence."

Doug Anderson, Technical Director, Onhotels.com

"iomart hosting have made sure that we have never had downtime. Moving servers and domains can be harder than moving house and it's something we've not had to worry about because it's all been done within the confines of iomart hosting's services to us"

Richard Walkling, Managing Director, Manic Monday "we have established solid foundations from which to continue to grow our managed hosting business."

Ian Ritchie, Chairman

I am pleased to report that iomart is in a strong and healthy position. We have a clearly defined strategy to become one of the UK's foremost managed hosting operators with owned datacentres and have made substantial progress in executing that strategy during the year.

A key component of this progress was the successful disposal of the Ufindus operation to BT, the proceeds of which allowed us to accelerate our growth as a managed hosting operation both organically and, after the year end, through acquisition.

With an excellent level of organic revenue growth from our main hosting divisions and with the post year end acquisition of leading UK server hosting company Rapidswitch, we have established solid foundations from which to continue to grow our managed hosting business.

Of course, the successful execution of the Group's strategy is entirely dependent on the ability and commitment of our senior management team and indeed all employees within the Group. On behalf of the Board and all shareholders I am pleased to acknowledge the contribution they have all made to a successful year and look forward to their continued hard work and commitment in the future.

In June 2007 the Board made the decision not to pay a dividend going forward but rather to concentrate the available cash resources on establishing, at that time, our newly acquired start-up datacentre operation. We did, however, make a commitment to shareholders to keep the situation under review and to consider re-introducing dividend payments at an appropriate time. I am therefore pleased to announce that the Board has concluded that we are now in a position to re-establish a dividend policy. Accordingly, the Board is proposing to pay a dividend of 0.3p per share on 3 September 2009 to shareholders on the register on 12 June 2009. It is our intention, depending on the underlying profitability and cash generation of the business, to continue to pay dividends going forward.

Last year I concluded my inaugural Chairman's statement by saying that I believed we could look to the future with confidence. Based on our future prospects and what we have achieved over the year despite challenging economic times, I see no reason other than to reach the same conclusion this year.

In fact, I believe I can say that we now look to the future with increased confidence.

Ian Ritchie, Chairman.
2 June 2009

"I believe I can say that we now look to the future with increased confidence."

"We have enjoyed strong organic growth during the year and we continue to establish ourselves as a first class provider of managed hosting services to the SME & Corporate markets."

Angus MacSween, Chief Executive Officer

Introduction

Despite the global recession I am delighted by the progress we are making towards our strategic goal of becoming one of the UK's foremost hosting groups. Since the disposal of our on-line directory operation Ufindus I believe that we are now benefiting from being able to focus solely on the achievement of that goal.

During the year there were two main elements to that progress. Firstly, the excellent developments we have made in growing our organic business. Revenues have grown from both segments of our continuing operations resulting in a 45% overall increase. The second was achieved through the sale of our on-line directory operation Ufindus to BT in July 2008 for £20m in cash, resulting in a gain from the disposal of £12.6m.

As we indicated at the time of that disposal this had the double benefit of removing a non-core operation whilst providing significant cash resources to accelerate our growth into managed hosting. Our strategy has always been to deliver both organic and acquisitive growth and after the year end we were delighted to conclude the acquisition of Rapidswitch Limited, a market leader in the provision of dedicated server hosting within the UK. In RapidSwitch we have acquired a fast growing and profitable business with a strong brand that we expect to continue to thrive within our group environment.

Review of the year – Continuing Operations

Overall revenues from continuing operations, which are now made up exclusively of managed hosting services grew from £8.1m to £11.8m, a 45% increase over the year.

Our Easyspace operation, which serves the SME market, had revenues of £7.2m, an increase of 14% over the year. We continued to add customers over the period and now have around 235,000 customers to whom we provide a range of services including domain names, shared, dedicated and virtual hosting.

There is currently much hype around cloud computing with the continued shift of much of the economy onto using some form of web based solution. The context of cloud computing from iomart's perspective is to deliver "infrastructure as a service" providing all of, or extensions of a company's existing or growing online infrastructure with enterprise class features such as redundancy, high availability and disaster recovery on a fully managed, outsourced basis at lower cost than can be achieved internally.

The datacentre owning Hosting business, which addresses the needs of the corporate market, had revenues of £4.6m in its first full year of operation, up 155% from £1.8m in the previous year. We now offer a range of managed services to this market sector, including our software as a service ("SaaS") internet security product Netintelligence. Our focus continues to be on winning managed service sales and good progress was made in this area with over 60 new customers acquired during the year. We are beginning to see the benefit of the geographical spread of our datacentres across the UK where we are able to offer the corporate market what we believe is a uniquely resilient solution in terms of both location and network.

Review of the year – Discontinued Operations

Ufindus was part of the Group until early July 2008 and in that period continued to deliver the contribution which it had displayed in previous years.

Rapidswitch

The acquisition of Rapidswitch after the year end has provided the Group with a very strong brand, particularly in the dedicated server market. With an already impressive record of revenue growth and profitability we are confident that this will continue into the future and are pleased that the management team responsible for growing the business has agreed to continue to drive it under our ownership. The datacentre facility in Maidenhead, which Rapidswitch brings to the Group, increases our overall datacentre capacity to around 50,000 sq ft of high quality datacentre space.

Current trading and outlook

We have enjoyed strong organic growth during the year and we continue to establish ourselves as a first class provider of managed hosting services to the SME and corporate markets from our own fully networked UK datacentres. The acquisition of RapidSwitch post year end will further accelerate this process, and we look forward to the coming year with increased confidence.

Angus MacSween, Chief Executive Officer.
2 June 2009

"I am delighted by the progress we are making towards our strategic goal of becoming one of the UK's foremost hosting groups."

"Our high level of recurring revenue and our low level of customer attrition are evidence of our ability to provide the level of service required."

Richard Logan, Finance Director

Trading Results – Total operations

The post tax profit for the year from total operations was £11.2m (2008: £0.4m), including a gain on sale of £12.6m arising out of the disposal of our on-line directory operation Ufindus.

Trading Results – Continuing Operations

Revenues for the year from continuing operations of £11.8m have grown by 45% (2008: £8.1m) with both of our main operating units having contributed to this growth. Easyspace revenues grew by 14% to £7.2m (2008: £6.3m) and our Hosting operation grew its revenues by 155% to £4.6m (2008: £1.8m).

Our gross margin, which is calculated by deducting variable cost of sales such as domain costs and sales commission and the relatively fixed costs of operating the datacentres from revenue, was £6.1m (2008: £4.2m). This substantial increase was as a direct result of higher revenues from both Easyspace and Hosting. In percentage terms the gross margin was maintained at 52% of revenue (2008: 52%). Within this our Hosting operation showed an improved gross margin percentage due to the fixed cost element of operating our datacentres not increasing as revenues increased. Easyspace gross margin percentage reduced due to sales mix and a stronger US Dollar.

EBITDA loss for the year from continuing operations, before share based payment charges, of £0.3m (2008: loss of £1.4m) showed substantial improvement over the previous year. This expected improvement was as a direct result of the growth in absolute gross margin delivered by both of our operating units offset by an increase in staffing, particularly sales, and marketing expenses in the first full year of operating our datacentres.

Depreciation charges of £1.0m (2008: £0.6m) have increased as we bring more of our datacentre capacity on stream, amortisation of intangibles £0.1m (2008: £0.1m) has remained stable and share based payment charges £0.2m (2008: £0.1m) have increased reflecting a charge for the additional share options issued during the year. Net finance income was £0.4m (2008: £nil) due to the interest earned on the proceeds from the disposal of Ufindus during the year.

Consequently, the loss for the year for continuing operations before taxation was £1.2m (2008: £2.3m).

The taxation charge for the year of £0.7m (2008: taxation credit of £0.5m) relates to the Group's recognition of deferred tax assets and is a result of the Group expecting to use up accumulated tax losses less quickly than previously anticipated.

The loss for the year from continuing operations after taxation was £1.9m (2008: £1.8m).

Trading Results - Discontinued Operations

The Group disposed of the Ufindus operation in July 2008. The post tax profit for Ufindus for the three month period was £0.5m (2008: profit for 12 months £2.1m) and in addition the Group made a gain from the disposal of £12.6m.

Earnings per share

Basic earnings per share from total operations was 11.27p (2008: 0.35p).

Acquisition
In May 2009 the company acquired Rapidswitch Limited for a total consideration of £5.25m. Details of this are shown in note 27 to the accounts.

Cash flow and net cash
Net increase in cash balances over the year was £13.2m (2008: £3.9m), including operating cash flow generated from continuing operations of £0.3m (2008: outflow of £2.2m). The major reason for the net cash balance increase was the receipt of £15.2m from the net proceeds from the disposal of Ufindus. Cash balances at the year-end totalled £13.9m (2008: £0.7m) and borrowings of £0.2m (2008: £1.2m).

During the year the company spent £0.7m on the purchase of 3,294,547 of its own shares at an average price of 20.46 pence per share. These shares are held in treasury.

Subsequent to the year-end the Group paid an initial sum of £4.3m to acquire Rapidswitch Limited and that company had net debt of £0.8m at acquisition. A further amount of £0.95m is due to be paid at the end of March 2010.

Financial position
We continue to find ourselves in the enviable position of having sufficient funding to fully underwrite our current business plans and therefore have no need to rely on the availability of borrowing facilities.

Principal risks and uncertainties
Section 417(3) of the Companies Act 2006 provides that the business review must contain a description of the principal risks and uncertainties.

The board has established a formal process to identify risks and uncertainties through the production and maintenance of a risk register. There are a number of potential risks and uncertainties which have been identified as a result of this process which could have a material impact on the Group's future performance. These are not all the risks which the board has identified but those that the Directors currently consider to be the most material.

Staff
As with any service organisation iomart is dependent on the skill, experience and commitment of its employees and especially a relatively small number of senior staff. The Group seeks to recruit and retain suitably skilled and experienced staff by offering a challenging and rewarding work environment. This includes competitive and innovative reward packages and a strong commitment to training and development.

Datacentre operation
Any downtime experienced at our datacentres would immediately have an impact on our ability to provide customers with the level of service they demand. Our ongoing investment in preventative maintenance and lifecycle replacement programme ensures our datacentres continue to deliver operational efficiency and effectiveness.

Customers
The Group provides an essential service to an extensive client base many of whom rely on the provision of that service for their major internet presence. Any diminution in the level of service could have serious consequences for customer acquisition and retention. Our high level of recurring revenue and our low level of customer attrition are evidence of our ability to provide the level of service required.

Key suppliers
The Group is dependent on certain key suppliers for the continued operation of its business. The most significant of which are those for electricity, bandwidth and servers. In all cases these supplies are obtained from reputable organisations chosen after a thorough selection process. After selection, the Group actively seeks to maintain good relationships with the chosen suppliers. The Group also seeks to maintain either several sources of supply or in the case of electricity alternative sources of power.

Richard Logan

Richard Logan, Finance Director.
2 June 2009

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

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 segment 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 2 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 twice a 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.

- 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.

- Other benefits

The executive directors are entitled to a car allowance, life insurance cover and to participate in the Group's Private Medical Insurance scheme.

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 are determined by the board. They are not entitled to receive any bonus or other benefits.

Non-executive directors' letters of appointment are on a 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 2009 Total	Year ended 31 March 2008 Total
	£	£	£	£	£	£
Angus MacSween	155,600	150,000	1,557	14,560	321,717	259,658
Chris Batterham	30,000	-	-	-	30,000	30,000
Sarah Haran	114,000	95,000	412	10,400	219,812	202,574
Richard Logan	114,000	107,000	1,409	10,400	232,809	163,991
Ian Ritchie (appointed 21 December 2007)	50,000	-	-	-	50,000	13,333
Fred Shedden	30,000	-	-	-	30,000	30,000
Stuart Forrest (resigned 31 March 2008)	-	-	-	-	-	184,899
Mark Hallam (resigned 31 March 2008)	-	-	-	-	-	199,811
Nick Kuenssberg (resigned 31 January 2008)	-	-	-	-	-	40,000
	493,600	**352,000**	**3,378**	**35,360**	**884,338**	**1,124,266**

Included within the above bonus payments Angus MacSween received £100,000 and Richard Logan £50,000 in respect of the disposal of Ufindus Limited.

Directors' interests in shares

The interests of the directors in the shares of the company at 31 March 2009, together with their interests at 1 April 2008 were as follows:

	Number of ordinary shares	
	31 March 2009	At 1 April 2008
Name of director		
Angus MacSween	19,686,304	19,286,304
Chris Batterham	45,621	45,621
Sarah Haran	745,704	720,704
Richard Logan	135,500	45,500
Ian Ritchie	107,000	Nil
Fred Shedden	744,588	744,588

Directors' interests in share options

The interests of the directors at 31 March 2009 in options over the ordinary shares of the company were as follows:

Name of director	At 1 April 2008	Granted in year	Lapsed	At 31 March 2009	Exercise price	Date of Grant	Date from which exerciseable	Expiry date
Angus MacSween	1,750,000	-	(1,300,000)	450,000	78.5p	17/11/2004	17/11/2007	17/11/2014
	12,302	-	-	12,302	76.0p	01/03/2006	01/03/2009	01/09/2009
	-	150,000	-	150,000	46.5p	06/10/2008	31/03/2009	06/10/2018
	-	250,000	-	250,000	46.5p	06/10/2008	31/03/2010	06/10/2018
	-	350,000	-	350,000	46.5p	06/10/2008	31/03/2011	06/10/2018
	-	450,000	-	450,000	46.5p	06/10/2008	31/03/2012	06/10/2018
	1,762,302	1,200,000	(1,300,000)	1,662,302				
Sarah Haran	159,746	-	-	159,746	5.0p	11/05/2000	11/05/2000	29/03/2010
	159,747	-	-	159,747	5.0p	11/02/2001	11/02/2001	29/03/2010
	159,747	-	-	159,747	5.0p	11/02/2002	11/02/2002	29/03/2010
	850,000	-	(600,000)	250,000	78.5p	17/11/2004	17/11/2007	17/11/2014
	4,921	-	-	4,921	76.0p	01/03/2006	01/03/2009	01/09/2009
	500,000	-	-	500,000	50.5p	27/09/2007	27/09/2010	27/09/2017
	-	150,000	-	150,000	46.5p	06/10/2008	31/03/2009	06/10/2018
	-	250,000	-	250,000	46.5p	06/10/2008	31/03/2010	06/10/2018
	-	350,000	-	350,000	46.5p	06/10/2008	31/03/2011	06/10/2018
	-	450,000	-	450,000	46.5p	06/10/2008	31/03/2012	06/10/2018
	1,834,161	1,200,000	(600,000)	2,434,161				
Richard Logan	200,000	-	(150,000)	50,000	74.0p	24/08/2006	24/08/2009	24/08/2016
	500,000	-	-	500,000	50.5p	27/09/2007	27/09/2010	27/09/2017
	-	150,000	-	150,000	46.5p	06/10/2008	31/03/2009	06/10/2018
	-	250,000	-	250,000	46.5p	06/10/2008	31/03/2010	06/10/2018
	-	350,000	-	350,000	46.5p	06/10/2008	31/03/2011	06/10/2018
	-	450,000	-	450,000	46.5p	06/10/2008	31/03/2012	06/10/2018
	700,000	1,200,000	(150,000)	1,750,000				

The options granted in the current year vest over the period 31 March 2009 to 31 March 2012 subject to continuous employment criteria. No share options were exercised by directors during the year.

The market price of the company's shares at the end of the financial period was 32.5p and the range of prices during the period was between 26.5p and 48.5p.

By order of the board

Fred Shedden, Chairman, Remuneration committee
2 June 2009

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 2009.

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 datacentre 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

	2009	2008
Revenue	45% increase	16% increase

Revenue from continuing operations revenue grew by 45% over the year compared to a growth of 16% in the previous year. Our Hosting operation grew revenues by 155% and our Easyspace operation by 14%.

	2009	2008
EBITDA margin (excluding share based payments)	-3%	-18%

The EBITDA margin which is calculated before share based payments has shown a substantial improvement as the Hosting operation moves towards EBITDA profitability.

	2009	2008
Datacentre usage	23%	19%

Datacentre usage is calculated by comparing the actual usage of racks to the total rack capacity of the datacentres. The increase in the year is due to new sales which have predominately been of a high margin managed service nature.

Financial instruments

The Group's financial instruments comprise cash and liquid resources 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 2009 comprise finance leases totalling £0.2m (2008 - £0.4m). The interest rates on the finance leases are fixed for the term of the lease at between 7.7% and 9.75%. The Group has exposure to movements in the exchange rate of the US dollar as certain domain name purchases are transacted in this currency. To protect cash flows against the level of exchange rate risk, the Group entered into forward exchange contracts to hedge foreign exchange exposures arising on the forecast payments. The majority of transactions of the holding company and the UK subsidiaries are in UK sterling and, with the exception of forward foreign exchange contracts, the Group does not use derivative instruments. Additional information on financial instruments is included in Note 26.

Dividend

The directors have recommended a final dividend for the year ended 31 March 2009 of 0.3p per share (2008 – nil).

Directors and their interests

The present membership of the board is set out on page 68. In accordance with the company's Articles of Association, Angus MacSween and Richard Logan 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 29 May 2009 the following interests in 3% or more of the issued ordinary share capital, excluding treasury shares, had been notified to the company:

Shareholder	Shares	Percentage held
Angus MacSween	19,686,304	20.31%
Gartmore Investment Limited	16,995,397	17.53%
Majedie Asset Management	6,909,911	7.13%
British Steel Pension Scheme	6,146,000	6.34%
Universities Superannuation Scheme	4,177,000	4.31%
Legal & General Investment Management	3,485,000	3.59%
Bill Dobbie	3,361,369	3.47%
Noble Grossart Investment Limited	2,925,000	3.02%

Acquisition of own ordinary shares

During the year the Company acquired its own ordinary shares to be held in treasury. 1,500,000 ordinary shares at 21p per share were acquired on 12 January 2009 and 1,794,547 ordinary shares at 20p per share were acquired on 21 January 2009. The total cost of acquiring the treasury shares was £678,000. No ordinary shares were acquired in the previous year. At the end of the year the Company held 3,294,547 of its own ordinary shares (2008 – nil) in treasury.

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 2009, calculated in accordance with the requirements of the Companies Act 1985, were 25 days (2008 – 26 days), and of the company were 6 days (2008 – 27 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

Bruce Hall, Company Secretary
2 June 2009

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the Parent Company Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In preparing the Group Financial Statements, the Directors have also elected to comply with the IFRSs, issued by the International Accounting Standards Board (IASB). The Group and Parent Company Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and the Group 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 that the Group Financial Statements comply with IFRSs as adopted by the European Union and IFRSs issued by the IASB and, with regard to the Parent Company's Financial Statements, that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements 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.

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

Board of Directors

Ian Ritchie

58, appointed 2008; currently Chairman of Computer Application Services Ltd, Caspian Learning Ltd, Interactive Design Institute Ltd, 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 Toshiba), 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).

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

54, 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, office2office plc, The Risk Advisory Group and Betfair Limited. Chris has also served on the boards of Staffware plc, DBS Management plc and The Invesco Techmark Enterprise Trust plc.

Sarah Haran

43, 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

51, 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; independent director of Murray International Trust plc; vice-chair of Glasgow Housing Association and Glasgow School of Art; formerly chairman of Halladale Group plc and senior partner of McGrigors.

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 2009 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 27. These group 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 2009.

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 Director's 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 2009 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 2009 and of its profit for the year then ended.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
GLASGOW

2 June 2009

Consolidated Income Statement

Year ended 31March 2009

CONTINUING OPERATIONS	Note	2009 £'000	Restated 2008 £'000
Revenue		11,797	8,116
Cost of sales	4	(5,718)	(3,920)
Gross profit		**6,079**	**4,196**
Administrative expenses	4	(7,728)	(6,463)
Operating loss		**(1,649)**	**(2,267)**
Analysed as:			
Earnings before interest, tax, depreciation, amortisation and share based payments		(318)	(1,447)
Share based payments		(231)	(143)
Depreciation	4	(959)	(618)
Amortisation	4	(141)	(59)
Finance income	6	497	73
Finance costs	6	(49)	(122)
Loss before taxation		**(1,201)**	**(2,316)**
Taxation	8	(731)	528
Loss for the year from continuing operations		**(1,932)**	**(1,788)**
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	10	516	2,141
Profit on disposal of discontinued operations	10	12,598	-
Net result from discontinued operations		**13,114**	**2,141**
TOTAL OPERATIONS			
Profit for the year from total operations		**11,182**	**353**
Basic and diluted earnings per share			
Continuing operations			
Basic	11	(1.95)p	(1.80)p
Diluted	11	(1.95)p	(1.80)p
Total operations			
Basic	11	11.27p	0.35p
Diluted	11	11.17p	0.35p

Consolidated Balance Sheet

31March 2009

	Note	2009 £'000	2008 £'000
ASSETS			
Non-current assets			
Intangible assets – goodwill	12	16,550	18,525
Intangible assets – other	12	363	720
Deferred tax asset	9	20	826
Lease deposit	13	884	884
Deferred consideration receivable on disposal	10	1,000	-
Property, plant and equipment	15	8,672	8,310
		27,489	**29,265**
Current assets			
Cash and cash equivalents	17	13,910	743
Trade and other receivables	16	2,184	3,121
		16,094	**3,864**
Total assets		**43,583**	**33,129**
LIABILITIES			
Non-current liabilities			
Deferred consideration due on acquisition	19	-	(4,800)
Borrowings	20	(54)	(187)
		(54)	**(4,987)**
Current liabilities			
Deferred consideration due on acquisition	19	(4,800)	-
Trade and other payables	18	(5,190)	(4,789)
Borrowings	20	(148)	(672)
		(10,138)	**(5,461)**
Total liabilities		**(10,192)**	**(10,448)**
Net assets		**33,391**	**22,681**
EQUITY			
Share capital	22	1,002	994
Own shares		(678)	-
Capital redemption reserve		1,200	1,200
Share premium		17,583	17,541
Retained earnings		14,284	2,946
Total equity		**33,391**	**22,681**

These financial statements were approved by the board of directors on 2 June 2009.
Signed on behalf of the board of directors

Angus MacSween
Director and Chief Executive Officer

Consolidated Cash Flow Statement

Year ended 31March 2009

	Note	2009 £'000	Restated 2008 £'000
Loss before taxation		**(1,201)**	**(2,316)**
Finance (income)/expense net	6	(448)	49
Depreciation	4	959	618
Amortisation	4	141	59
Share based payments	23	231	92
Movement in deposits		-	(884)
Movement in trade receivables		(453)	(34)
Movement in trade payables		1,087	238
Cash flow from operations		**316**	**(2,178)**
Cash generated from discontinued operations		463	2,702
Net cash flow from operating activities		**779**	**524**
Cash flow from investing activities			
Purchase of property, plant and equipment	15	(1,519)	(393)
Capitalisation of development costs	12	(238)	(250)
Purchase of intangible assets - software	12	(10)	(23)
Purchase of intangible assets – domain names	12	(31)	-
Payment for acquisition of business		-	(4,800)
Receipt from disposal of discontinued operation	10	15,235	-
Interest received	6	389	73
Investing activities of discontinued operation		(99)	(496)
Net cash from/(used in) investing activities		**13,727**	**(5,889)**
Cash flow from financing activities			
Issue of shares	22	50	-
Repayment of finance leases	20	(210)	(197)
Repayment of borrowings	20	(432)	(876)
Receipt of cash from share placing		-	10,466
Purchase of own shares		(678)	-
Interest paid	6	(49)	(124)
Financing activities of discontinued operation		(20)	(9)
Net cash (used in)/from financing activities		**(1,339)**	**9,260**
Net increase in cash and cash equivalents		13,167	3,895
Cash and cash equivalents at the beginning of the year		743	(3,152)
Cash and cash equivalents at the end of the year	**17**	**13,910**	**743**

Consolidated Statement of Changes in Equity

Year ended 31March 2009

	Note	Share capital £'000	Own shares £'000	Capital redemption reserve £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Changes in equity							
Balance at 1 April 2007		994	-	1,200	17,541	2,375	22,110
Profit in the period and total recognised income and expense		-	-	-	-	353	353
Share based payments	23	-	-	-	-	143	143
Deferred tax on share based remuneration	9	-	-	-	-	75	75
Balance at 1 April 2008		**994**	**-**	**1,200**	**17,541**	**2,946**	**22,681**
Profit in the period and total recognised income and expense		-	-	-	-	11,182	11,182
Share based payments	23	-	-	-	-	231	231
Deferred tax on share based remuneration	9	-	-	-	-	(75)	(75)
Acquisition of own shares		-	(678)	-	-	-	(678)
Issue of shares for option redemption		8	-	-	42	-	50
Balance at 31 March 2009		**1,002**	**(678)**	**1,200**	**17,583**	**14,284**	**33,391**

"We are continually taking steps to reduce the costs of power, costs to the environment and cost of providing an overall data centre service for our customers."

Notes to the Financial Statements

Year ended 31March 2009

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 each of the Group's subsidiaries 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 (IFRS) as adopted by the EU and issued by the International Accounting Standards Board (IASB). 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 2009. 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, namely 1 April 2005, 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

IFRIC 12, 'Service Concession Arrangements', provides revised guidance for service concession operators on how to account for the obligations they undertake and rights they receive in service concession arrangements. This interpretation does not have any impact on the Group's financial statements.

IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction', clarifies how entities should account for the effect of any statutory or contractual funding requirements. 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 adopted early by the Group

IAS 1 (revised) Presentation of Financial Statements prohibits the presentation of income and expenses in the Statement of Changes in Equity. The Group will adopt IAS 1 (revised) from 1 April 2009.

IAS 23 Borrowing Costs requires the capitalisation of borrowing costs attributable to qualifying assets but is not expected to have an impact on the Group's consolidated financial statements. The Group will adopt IAS 23 from 1 April 2009.

IAS 27 Consolidated and Separate Financial Statements requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. It is not expected to have any impact on the Group's consolidated financial statements.

IAS 39 and IFRIC 9 Financial Instruments: Recognition and Measurement: Eligible Hedged Items requires that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivatives requiring separation from the host contract, it is not expected to have any impact on the Group's consolidated financial statements.

IFRS 2 (amendment), Share-based Payment clarifies that vesting conditions are service conditions and performance conditions only. It is not expected to have any impact on the Group's consolidated financial statements. The Group will adopt IFRS 2 (amendment) from 1 April 2009.

IFRS 3 Business Combinations (revised) continues to apply the acquisition method to business combinations. It is not expected to have any impact on the Group's consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures – Improving Disclosures About Financial Instruments (amendment) requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The Group will adopt IFRS 7 (amendment) from 1 April 2009.

IFRS 8 Operating Segments extends the scope of segmental reporting but is not expected to have any impact on the Group's consolidated financial statements. The Group will adopt IFRS 8 from 1 April 2009.

IFRIC 13 Customer Loyalty Programme is not expected to have an impact on the Group's consolidated financial statements. The Group will adopt IFRIC 13 from 1 April 2009.

IFRIC 15 Agreements for the Construction of Real Estate is not expected to have an impact on the Group's consolidated financial statements. The Group will adopt IFRIC 15 from 1 April 2009.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation is not expected to have an impact on the Group's consolidated financial statements. The Group will adopt IFRIC 16 from 1 April 2009.

IFRIC 17 Distributions of Non-cash Assets to Owners is not expected to have an impact on the Group's consolidated financial statements.

IFRIC 18 Transfers of Assets from Customers is not expected to have an impact on the Group's consolidated financial statements.

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.

Continuing Operations

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.

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.

Discontinued Operations

Ufindus
This operating segment sold 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 was recognised when the website had been created and all significant obligations in relation to the sale had been fulfilled. Revenue for the ongoing maintenance and promotion of websites was then recognised evenly over the period of the service.

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 hosting asset management control system 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	3.33% per annum
Leasehold improvements	25% per annum
Computer equipment	Between 20% and 50% per annum
Office equipment	Between 10% and 25% per annum
Datacentre 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 12.

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 the income statement are recognised at fair value plus transaction costs on initial recognition. Financial assets categorised as at fair value through the income statement 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.

Financial derivatives such as forward foreign exchange contracts are carried at fair value through the income statement.

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. Where there is a legal right to offset cash at bank against bank overdrafts held with the same financial institution, cash and cash equivalents are shown net in the Consolidated Balance Sheet.

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.
- "Own shares" represents the amount of the company's own equity shares, plus attributable transaction costs, that is held by the company as treasury 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 and also contributes to a number of personal pension schemes on behalf of executive directors and some senior employees. 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.

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.

Restatement of comparative figures
During the year the Group disposed of its Ufindus operation and consequently, Ufindus has been treated as a discontinued operation within these financial statements. As a result the comparative amounts for the 2008 financial year for both the income statement and cashflow statement have been restated to remove the effect of the

discontinued operation. In addition the Ufindus operation has been shown as discontinued within the segmental analysis at note 3.

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 to select a suitable discount rate in order to calculate the present value. Full details of the assumptions used in the calculation are disclosed in note 12.

Recoverability of deferred consideration on disposal of subsidiary

In assessing the recoverability of the full amount of deferred consideration receivable in relation to the disposal of Ufindus Limited an assumption has been made that no warranty claim that could reduce this amount will arise.

Estimated accruals

Estimates have been made of a number of accruals relating to premises used in the Group's operations. These estimates are based on previous experience of costs incurred in similar situations.

Deferred tax

The Group has substantial tax losses available to offset future taxable profits. In assessing the amount of deferred tax to be recognised as an asset the Group has estimated future profitability of the relevant operating unit.

3. SEGMENTAL ANALYSIS

Following an internal reorganisation resulting from the disposal of the non-core online directory business, Ufindus, the Netintelligence division was merged with the Hosting division, where previously it had been disclosed as a separate business segment. Consequently, as at 31 March 2009, the Group is primarily organised into two main business segments, which are detailed below.

- Easyspace – a range of managed web hosting services and domain name registration services.
- Hosting – provision of managed hosting facilities and services, through a network of owned data centres.

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

Primary Reporting Segment – Business

Assets and Liabilities by Primary Segment

	2009			2008		
	Total Assets £000's	Liabilities £000's	Net Assets (Liabilities) £000's	Total Assets £000's	Liabilities £000's	Net Assets (Liabilities) £000's
Easyspace	13,107	(1,790)	11,317	12,963	(1,934)	11,029
Hosting	15,445	(7,424)	8,021	15,624	(6,631)	8,993
Discontinued operations	-	-	-	4,519	(1,034)	3,485
	28,552	**(9,214)**	**19,338**	**33,106**	**(9,599)**	**23,507**
Group assets	15,031	(978)	14,053	23	(849)	(826)
	43,583	**(10,192)**	**33,391**	**33,129**	**(10,448)**	**22,681**

The assets and liabilities of each business segment are derived using the same classifications as management reporting, excluding inter-segment balances.

Non-current assets acquired in the period by Primary Segment

	2009			2008		
	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
Easyspace	70	36	106	53	-	53
Hosting	1,453	242	1,695	594	261	855
Continuing operations	1,523	278	1,801	647	261	908
Discontinued operations	7	93	100	133	381	514
	1,530	**371**	**1,901**	**780**	**642**	**1,422**

Revenue by Primary Segment

	2009			2008		
	External £000's	Internal £000's	Total £000's	External £000's	Internal £000's	Total £000's
Easyspace	7,224	-	7,224	6,320	-	6,320
Hosting	4,573	572	5,145	1,796	524	2,320
Continuing operations	11,797	572	12,369	8,116	524	8,640
Discontinued operations	3,321	-	3,321	11,933	-	11,933
	15,118	**572**	**15,690**	**20,049**	**524**	**20,573**

Profit by Primary Segment

	2009			2008		
	EBITDA £000's	Share based payments, depreciation & amortisation £000's	Operating (loss)/profit £000's	EBITDA £000's	Share based payments, depreciation & amortisation £000's	Operating (loss)/profit £000's
Easyspace	2,143	(38)	2,105	1,996	(18)	1,978
Hosting	(789)	(1,062)	(1,851)	(1,733)	(659)	(2,392)
Group overheads	(1,672)	(231)	(1,903)	(1,710)	(143)	(1,853)
	(318)	(1,331)	(1,649)	(1,447)	(820)	(2,267)
Group interest and tax			(283)			477
Total continuing	**(318)**	**(1,331)**	**(1,932)**	**(1,447)**	**(820)**	**(1,790)**
Gain on disposal	12,598	-	12,598	-	-	-
Discontinued operations	615	(99)	516	2,554	(411)	2,143
Profit for the year	**12,895**	**(1,430)**	**11,182**	**1,107**	**(1,231)**	**353**

Group overheads (including share based payments), interest and tax are not allocated to segments.

4.OPERATING COSTS

The profit for the year from total operations is stated after charging the following operating costs:	2009 £'000	2008 £'000
Staff cost excluding development costs capitalised and research and development costs written off the income statement	9,808	10,249
Depreciation of property plant and equipment		
- Owned assets (continuing operations: £787,000; discontinued operations: £34,000)	821	611
- Leased assets	172	206
Property, plant and equipment hire		
- Land and buildings	1,078	1,406
- Plant and machinery	57	53
Amortisation of intangible assets (continuing operations: £141,000; discontinued operations: £66,000)	207	271
R&D written to income statement	56	92
Marketing and sales	955	768
Infrastructure	188	448
Provision for doubtful debts	56	553
Premises and office	2,640	2,171

Auditors' remuneration	2009 £'000	2008 £'000
- Fees payable for the audit of the consolidation and the parent company accounts	21	21
- Fees payable for audit of subsidiaries, pursuant to legislation	19	28
- Tax compliance fees	12	11
- Corporate finance and advisory transactions	22	14
	74	**74**

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2009 £'000	2008 £'000
Directors' emoluments		
Aggregate emoluments	849	1,095
Pension contributions to personal money purchase schemes	35	29
Share based payments	192	143
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	307	246
Pension contributions to personal money purchase schemes	15	14

During the year the company made personal pension contributions to the personal pension schemes of 3 directors (2008: 3).
The aggregate amount of gains realised by directors on the exercise of share options during the year was nil (2008: £nil).
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	51	36
Customer services	32	78
Sales and marketing	86	231
Administration	35	55
	204	**400**
Number of persons employed by the Group at the year end		
Technical	48	38
Customer services	23	72
Sales and marketing	28	277
Administration	26	60
	125	**447**

	Continuing operations 2009 £'000	Discontinued operations 2009 £'000	Total 2009 £'000	2008 £'000
Staff costs of the Group during the year in respect of employees and directors were:				
Wages and salaries	4,274	4,613	8,887	9,705
Social security costs	476	532	1,008	978
Other pension costs	56	-	56	29
Share based payments	231	-	231	143
	5,037	**5,145**	**10,182**	**10,855**

Included within the above staff costs from discontinued operations are management incentive payments totalling £3,231,000 (see note 10) which related to the disposal of the discontinued operations.

The Group operates a stakeholder pension scheme and also contributes to a number of personal pension schemes on behalf of executive directors and some senior employees. In the case of executive directors, details of the pension arrangements are given within the Directors' Remuneration Report on pages 10 to 12. In the case of senior employees, pension contributions to individuals' personal pension arrangements are payable by the Group at a rate equal to the contribution made by the senior employee subject to a maximum employer contribution of 5% of basic salary.

6. NET FINANCE COST

	2009 £'000	2008 £'000
Finance income:		
Bank interest receivable	497	73
	497	73
Finance expenses:		
Bank overdraft and other borrowings	(26)	(96)
Finance leases	(23)	(28)
	(49)	**(124)**
Net finance cost	**448**	**(51)**

7. DIVIDENDS ON SHARES CLASSED AS EQUITY

	2009 £'000	2008 £'000
Proposed		
Equity dividends on ordinary shares of 0.3p per share (2008: nil)	291	-

8. TAXATION

	2009 £'000	2008 £'000
Research and development tax credit write-off	-	(53)
Tax charge for the year	-	(53)
Deferred tax (charge)/credit	(731)	581
Taxation (charge)/credit for the year	**(731)**	**528**

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 profit/(loss) before tax is as follows:

	2009 £'000	2008 £'000
Profit/(loss) before tax	11,913	(175)
Tax charge/(credit) @ 28% (2008 – 30%)	3,336	(53)
Expenses not deductible for tax purposes	30	16
Research and development tax credit write-off	-	53
Tax effect of share based remuneration	25	(88)
Movement in other deferred tax not recognised	(12)	26
Gain on disposal of subsidiary undertaking not subject to corporation tax	(3,527)	-
Non-taxable income on discontinued operations	(77)	-
Consolidation adjustments	(36)	(8)
Utilisation of tax losses	(9)	(473)
Depreciation in excess of capital allowances	-	(1)
Tax losses carried forward	207	-
Reduction in tax losses recognised	794	-
Taxation charge/(credit) for the year	**731**	**(528)**

The weighted average applicable tax rate for the year ended 31 March 2009 was 28% (2008: 30%)

9. DEFERRED TAX

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

	2009		2008	
	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000
Tax losses carried forward	1,590	3,270	2,384	2,192
Share based remuneration	79	-	205	-
Deferred tax on acquired assets with no capital allowances	(1,649)	-	(1,763)	-
Deferred tax	**20**	**3,270**	**826**	**2,192**

9. DEFERRED TAX (CONTINUED)

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

	Tax losses carried forward £'000	Share based remuneration £'000	Deferred tax on acquired assets with no capital allowances £'000	Total £'000
Opening balance	2,384	205	(1,763)	826
(Charged)/credited to income statement	(794)	(51)	114	(731)
Charged directly to equity	-	(75)	-	(75)
Closing balance	1,590	79	(1,649)	20

The deferred tax asset in relation to tax losses carried forward arises from the unutilised tax losses of the hosting trade. The deferred tax asset has been recognised in line with future projections of the hosting company 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. During the year share options were exercised on which the related £75,000 deferred tax asset had previously been recognised directly in equity and therefore has resulted in a movement in retained earnings.

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

10. DISCONTINUED OPERATIONS

The Group announced on 9 July 2008 the sale of the Ufindus business unit. The Ufindus operation represents an identifiable division of the Group and as such has been disclosed as a discontinued operation for the year ended 31 March 2009. A single amount is shown on the consolidated income statement representing the post-tax result of the discontinued operation for the period until disposal. Additionally the post-tax profit arising from the disposal of the operation has been recognised within the Discontinued Operations section of the consolidated income statement.

The table below provides further detail of the amounts shown in the income statement.

Discontinued operation financial performance	**Period to 9 July 2008 £'000**	**Year to 31 March 2008 £'000**
Revenue	3,321	11,933
Cost of sales	(521)	(1,581)
Gross profit	2,800	10,352
Administrative expenses	(2,284)	(8,209)
Profit on disposal before taxation	516	2,143
Finance costs	-	(2)
Profit from discontinued operation before taxation	516	2,141
Taxation	-	-
Profit from discontinued operation after taxation	**516**	**2,141**

10. DISCONTINUED OPERATIONS (CONTINUED)

Disposal of discontinued operation	Note	2009 £'000	2009 £'000
Total consideration			20,006
Payment received to settle intercompany debt			(2,347)
Net consideration for shares			**17,659**
Less: Assets associated with discontinued operations			(752)
Costs associated with disposal			
- Management incentive payments (including employers' NIC)	5	(3,231)	
- Professional fees		(643)	
- Other expenses and provisions		(435)	
			(4,309)
Profit on disposal before taxation			**12,598**
Taxation			-
Profit on disposal after taxation			**12,598**

During the year the Ufindus business unit contributed £463,000 (2008: £2,702,000) to the Group's net operating cash flows, paid £99,000 (2008: £496,000) in respect of investing activities and paid £20,000 (2008: £9,000) in respect of financing activities.

A profit of £12,598,000 arose on the disposal of the Ufindus business unit as noted above. Of the total consideration, £2,000,000 was placed into escrow against warranty claims. In January 2009, £1,000,000 was released as planned and subject to any warranty claims the remainder will be released in July 2010. Amounts held in escrow accrue interest at prevailing market rates and the Group is due to receive such interest on any sums released under these escrow arrangements.

Management incentive payments to current and former directors of the Group totalling £3,231,000 were incurred in respect of the disposal as follows:

Management incentive payments	Bonus £'000	Employers' NIC £'000	Total £'000
A.MacSween	100	13	113
R.Logan	50	6	56
S.Forrest	1,357	174	1,531
M.Hallam	1,357	174	1,531
	2,864	**367**	**3,231**

The bonus amounts, excluding employers' NIC, paid to A.MacSween and R.Logan are also shown within the Directors' Remuneration report.

In addition professional fees of £643,000 and other expenses and provisions of £435,000 were incurred resulting in total costs associated with the disposal of £4,309,000.

A reconciliation of the profit on disposal to the cash flow from the disposal is given in the table below.

Receipt from disposal of discontinued operations	£'000
Profit on disposal after taxation	12,598
Payment received to settle intercompany debt	2,347
Deferred consideration not yet received	(1,000)
Assets associated with discontinued operations	752
Costs associated with disposal not yet paid	538
Cash inflow from disposal of discontinued operations	**15,235**

11. 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, after deducting any shares held in treasury. 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.

Continuing operations	**2009** **£'000**	**2008** **£'000**
Loss from continuing operations for the financial year and basic earnings attributed to ordinary shareholders	(1,932)	(1,788)
	No **000**	**No** **000**
Weighted average number of ordinary shares:		
For basic earnings per share	99,183	99,458
Exercise of share options	-	-
For diluted earnings per share	99,183	99,458
Basic earnings per share	(1.95)p	(1.80)p
Fully diluted earnings per share	(1.95)p	(1.80)p

Discontinued operations	**2009** **£'000**	**2008** **£'000**
Profit from discontinued operations for the financial year and basic earnings attributed to ordinary shareholders	516	2,141
Profit on disposal of discontinued operations	12,598	-
Total profit from discontinued operations	**13,114**	**2,141**
	No **000**	**No** **000**
Weighted average number of ordinary shares:		
For basic earnings per share	99,183	99,458
Exercise of share options	902	1,759
For diluted earnings per share	**100,085**	**101,217**
Basic earnings per share	13.22p	2.15p
Fully diluted earnings per share	13.10p	2.12p

Total operations	**2009** **£'000**	**2008** **£'000**
Profit for the financial year and basic earnings attributed to ordinary shareholders	11,182	353
	No **000**	**No** **000**
Weighted average number of ordinary shares:		
For basic earnings per share	99,183	99,458
Exercise of share options	902	1,759
For diluted earnings per share	**100,085**	**101,217**
Basic earnings per share	11.27p	0.35p
Fully diluted earnings per share	11.17p	0.35p

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

12. INTANGIBLE ASSETS

	2008				
	Goodwill	Development costs	Software	Domain Names	Total
	£'000	£'000	£'000	£'000	£'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

	2009				
	Goodwill	Development costs	Software	Domain Names	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2008	18,525	1,028	276	-	19,829
Additions	-	-	22	31	53
Development cost capitalised	-	318	-	-	318
Derecognised on disposal of subsidiary	(1,975)	(867)	(77)	-	(2,919)
At 31 March 2009	**16,550**	**479**	**221**	**31**	**17,281**
Accumulated amortisation					
At 1 April 2008	-	(359)	(225)	-	(584)
Derecognised on disposal of subsidiary		378	45	-	423
Charge for the year	-	(188)	(19)	-	(207)
At 31 March 2009	**-**	**(169)**	**(199)**	**-**	**(368)**
Carrying amount					
At 31 March 2009	**16,550**	**310**	**22**	**31**	**16,913**
At 31 March 2008	18,525	669	51	-	19,245

All amortisation 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. On 9 July 2008 the online directory business Ufindus was disposed of and the associated goodwill of £1,975,000 has been deducted from the carrying value.

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". No impairment charges (2008: 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. During the year, the CGUs of Internetters, Nicnames and Easyspace were amalgamated under the Easyspace brand. The carrying value of goodwill by each CGU is as follows:

12. INTANGIBLE ASSETS (CONTINUED)

Cash Generating Units (CGU)	2009 £'000	2008 £'000
Easyspace	12,314	12,314
Ufindus	-	1,975
Hosting	4,236	4,236
	16,550	**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	Easyspace
Discount rate	12%	9%
Future perpetuity rate	2.5%	2.5%
Years for growth	5	5

Based on an analysis of the impairment calculation's sensitivities to changes in key parametres (growth rate, discount rate and pre-tax cash flow projections) there was no probable scenario where the CGU's recoverable amount would fall below its carrying amount.

13. LEASE DEPOSIT

The lease deposit of £884,000 (2008- £884,000) is due to be repaid at the end of the lease which at the earliest is July 2020. The Group is due to receive interest on the lease deposit at the prevailing market rate.

14. PRINCIPAL SUBSIDIARIES

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

			Ordinary share capital	
	Country of registration and operation	Activity	Owned by the company %	Owned by subsidiary undertakings %
iomart Limited	Scotland	Dormant	100	
iomart Hosting Limited	Scotland	Managed hosting services	100	
Netintelligence Limited	Scotland	Network security	100	
iomart Virtual Servers Hosting Limited	Scotland	Dormant	100	
Easyspace Datacentres (UK) Limited	Scotland	Dormant	100	
Easyspace Limited	England	Webservices	100	
Ezee DSL Limited	England	Datacentre services	99.8	
Internetters Limited	England	Webservices		100
NicNames Limited	England	Dormant		100
Web Genie Internet Limited	England	Webservices		100

15. PROPERTY, PLANT AND EQUIPMENT

	2008					
	Freehold Property £'000	Leasehold improve-ments £'000	Datacentre 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

	2009					
	Freehold Property £'000	Leasehold improve-ments £'000	Datacentre Equipment £'000	Computer equipment £'000	Office equipment £'000	Total £'000
Cost						
At 1 April 2008	837	544	6,580	2,602	850	11,413
Additions in the year	-	-	1,004	416	110	1,530
Disposals	-	(184)	-	(1,149)	(283)	(1,616)
At 31 March 2009	**837**	**360**	**7,584**	**1,869**	**677**	**11,327**
Accumulated depreciation						
At 1 April 2008	-	(459)	(224)	(1,846)	(574)	(3,103)
Charge for the year	(12)	(46)	(453)	(436)	(46)	(993)
Eliminated on disposal	-	159	-	1,036	246	1,441
At 31 March 2009	**(12)**	**(346)**	**(677)**	**(1,246)**	**(374)**	**(2,655)**
Carrying amount						
At 31 March 2009	**825**	**14**	**6,907**	**623**	**303**	**8,672**
At 31 March 2008	837	85	6,356	756	276	8,310

The net book value of computer equipment held under finance lease at 31 March 2009 was £91,000 (2008: £225,000).

16. TRADE AND OTHER RECEIVABLES

	2009 £'000	2008 £'000
Trade receivables	764	3,255
Less: Provision for impairment	(67)	(1,608)
Trade receivables (net)	**697**	**1,647**
Other receivables	233	92
Prepayments and accrued income	1,254	1,382
Trade and other receivables	**2,184**	**3,121**

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. Some of the higher value trade receivables in the Hosting division are reviewed individually for impairment and judgment made as to any likely impairment based on historic trends and the latest communication with specific customers. The balance of 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 2009, £317,000 (2008: £614,000) of net trade receivables were fully performing. Net trade receivables of £380,000 (2008: £293,000) 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.

	2009 £'000	2008 £'000
Up to 3 months	278	273
Over 3 months but less than 6 months	59	20
Over 6 months but less than 1 year	43	-
Total unimpaired trade receivables which are past due	**380**	**293**

17. CASH AND CASH EQUIVALENTS

	2009 £'000	2008 £'000
Cash at bank and on hand	13,910	1,105
Bank overdrafts (note 20)	-	(362)
Cash and cash equivalents	**13,910**	**743**

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

18. TRADE AND OTHER PAYABLES

	2009 £'000	2008 £'000
Trade payables	(746)	(792)
Other taxation and social security	(476)	(907)
Deferred grants	-	(2)
Accruals	(1,923)	(1,024)
Deferred income	(2,045)	(2,064)
Trade and other payables	**(5,190)**	**(4,789)**

The carrying amount of trade and other payables approximates to their fair value. Trade payables and accruals are non-interest bearing and generally mature within three months.

19. DEFERRED CONSIDERATION

The Group continues to hold a deferred consideration in relation to the acquisition of Ezee DSL Limited. The Group currently owns 99.8% of the issued share capital of Ezee DSL Limited. Within the provisions of 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 this put option will be exercised. The Group believes the value of the call option to be nil. As it is highly probable that the put option will be exercised, Ezee DSL Limited has been accounted for as a 100% subsidiary with no minority interest even although the Group is only the registered owner of 99.8% of Ezee DSL Limited as of the balance sheet date.

20. BORROWINGS

	2009 £'000	2008 £'000
Current:		
Obligations under finance leases	(148)	(240)
Bank loan	-	(432)
Current borrowings	**(148)**	**(672)**
Bank overdraft (included in cash and cash equivalents note 17)	**-**	**(362)**
Non-current:		
Obligations under finance leases	(54)	(187)
Total non-current borrowings	**(54)**	**(187)**
Total borrowings	**(202)**	**(1,221)**

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

Finance leases	**2009**		**2008**	
Leases which expire:	**Carrying amount £'000**	**Fair value £'000**	**Carrying amount £'000**	**Fair value £'000**
Within one year	54	54	240	240
Within two to five years	148	148	187	187
	202	**202**	**427**	**427**

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

	2009			**2008**		
	Capital £'000	**Interest £'000**	**Total £'000**	**Capital £'000**	**Interest £'000**	**Total £'000**
Due within one year	148	9	157	240	20	260
Due between one and five years	54	1	55	187	10	197
	202	**10**	**212**	**427**	**30**	**457**

20. BORROWINGS (CONTINUED)

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 7.1% (2008: 7.0%). Lease payments are made on a monthly basis. The future lease obligation of £212,000 (2008: £457,000) has present value of £198,000 (2008: £443,000).

21. OPERATING LEASES

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

	2009		2008	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	1,078	57	1,324	46
Within two to five years	4,311	91	4,985	18
After five years	5,944	-	7,988	-
	11,333	148	14,297	64

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.

22. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2007, 2008, and 2009	**200,000,000**	**2,000**
Called up, allotted and fully paid		
At 31 March 2007	**99,432,635**	**994**
Exercise of options	6,667	-
At 31 March 2008	**99,439,302**	**994**
Exercise of options	800,000	8
At 31 March 2009	**100,239,302**	**1,002**

During the year the company issued an additional 800,000 (2008: 6,667) ordinary shares of 1p each in respect of the exercise of options, for which a net total of £50,000 (2008: £416) was received.

At 31 March 2009 the company held 3,294,547 (2008: nil) shares in treasury which are accounted for in the Own Shares reserve and had a nominal value of £32,945 (2008: £nil) and a market value of £1,070,728 (2008: £nil). This represented 3.4% (2008 – nil) of the issued share capital as at 31 March 2009 excluding treasury shares.

The share capital of iomart Group plc consists of ordinary shares with a par value of 1p. All shares, excluding treasury 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 2009 are fully paid.

23. 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	Up to 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

The performance criteria as set by the Remuneration Committee are based on the achievement of annual objectives and continuous employment.

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.

During the year, options over 800,000 ordinary shares (2008: 6,667) were exercised and the market price at the exercise date was 46.5p (2008: 67.5p).

23. SHARE BASED PAYMENTS (CONTINUED)

As disclosed in note 5, a share based payment charge of £231,000 (2008: £143,000) 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 for the options granted in the year.

Grant date	**29-Sep-08**			**06-Oct-08**			
Vesting date	**31-Mar-09**	**31-Mar-10**	**31-Mar-11**	**31-Mar-09**	**31-Mar-10**	**31-Mar-11**	**31-Mar-12**
Variables used							
Share price at grant date	46.50p	46.50p	46.50p	46.50p	46.50p	46.50p	46.50p
Volatility	44%	44%	44%	44%	44%	44%	44%
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Number of employees holding options/units	10	10	10	3	3	3	3
Option/award life (years)	10	10	10	10	10	10	10
Expected life (years)	0.5	1.5	2.5	0.5	1.5	2.5	3.5
Risk free rate	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%	4.56%
Expectations of meeting performance criteria	100%	100%	100%	100%	100%	100%	100%
Fair value	6.18p	11.08p	14.53p	6.18p	11.08p	14.53p	17.32p
Exercise price per share	46.50p	46.50p	46.50p	46.50p	46.50p	46.50p	46.50p

Grant date	**05-Feb-09**			
Vesting date	**30-Sep-09**	**31-Mar-10**	**31-Mar-11**	**31-Mar-12**
Variables used				
Share price at grant date	26.50p	26.50p	26.50p	26.50p
Volatility	51%	51%	51%	51%
Dividend yield	0.00%	0.00%	0.00%	0.00%
Number of employees holding options/units	1	1	1	1
Option/award life (years)	10	10	10	10
Expected life (years)	0.6	1.2	2.2	3.2
Risk free rate	2.79%	2.79%	2.79%	2.79%
Expectations of meeting performance criteria	100%	100%	100%	100%
Fair value	**4.49p**	**6.01p**	**8.24p**	**9.95p**
Exercise price per share	26.50p	26.50p	26.50p	26.50p

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.

23. SHARE BASED PAYMENTS (CONTINUED)

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 2009										
Details				Options for shares outstanding						Vested options for shares not yet exercisable
Exercise price	Grant date	Exercise date	Expiry date	31 March 2008	Issued	Forfeited	Exercised	Expired	31 March 2009	31 March 2009
Enterprise management incentive scheme										
6.25	26/07/2002	26/07/2002	26/07/2012	266,666	-	-	(266,666)	-	-	-
6.25	26/07/2002	26/07/2003	26/07/2012	266,666	-	-	(266,666)	-	-	-
6.25	26/07/2002	26/07/2004	26/07/2012	266,668	-	-	(266,668)	-	-	-
6.25	02/07/2003	02/07/2004	02/07/2013	44,583	-	(2)	-	-	44,581	44,581
6.25	02/07/2003	02/07/2005	02/07/2013	48,583	-	(667)	-	-	47,916	47,916
6.25	02/07/2003	02/07/2006	02/07/2013	54,251	-	(6,331)	-	-	47,920	47,920
78.50	17/11/2004	17/11/2007	17/11/2014	583,818	-	(359,297)	-	-	224,521	224,521
74.00	24/08/2006	24/08/2009	24/08/2016	135,135	-	(85,135)	-	-	50,000	-
50.50	27/09/2007	27/09/2010	27/09/2017	85,982	-	-	-	-	85,982	-
43.50	20/12/2007	20/12/2007	20/12/2017	200,000	-	(50,000)	-	-	150,000	150,000
43.50	20/12/2007	20/06/2008	20/12/2017	210,000	-	(50,000)	-	-	160,000	160,000
43.50	20/12/2007	20/12/2008	20/12/2017	210,000	-	(50,000)	-	-	160,000	160,000
43.50	20/12/2007	20/06/2009	20/12/2017	210,000	-	(50,000)	-	-	160,000	-
43.50	20/12/2007	20/12/2009	20/12/2017	129,540	-	(29,885)	-	-	99,655	-
43.50	20/12/2007	20/06/2010	20/12/2017	10,000	-	-	-	-	10,000	-
46.50	29/09/2008	31/03/2009	29/09/2018	-	345,700	-	-	-	345,700	345,700
46.50	29/09/2008	31/03/2010	29/09/2018	-	216,668	-	-	-	216,668	-
46.50	29/09/2008	31/03/2011	29/09/2018	-	211,287	-	-	-	211,287	-
46.50	06/10/2008	31/03/2009	06/10/2018	-	235,923	-	-	-	235,923	235,923
46.50	06/10/2008	31/03/2010	06/10/2018	-	28,495	-	-	-	28,495	-
26.50	05/02/2009	05/02/2012	05/02/2019	-	100,000	-	-	-	100,000	-
Savings related scheme										
76.00	01/03/2006	01/03/2009	01/09/2009	337,565	-	(295,986)	-	-	41,579	41,579
Unapproved schemes										
5.00	29/03/2000	11/05/2000	29/03/2010	276,886	-	-	-	-	276,886	276,886
5.00	29/03/2000	11/02/2001	29/03/2010	276,887	-	-	-	-	276,887	276,887
5.00	29/03/2000	11/02/2002	29/03/2010	276,887	-	-	-	-	276,887	276,887
11.75	31/10/2001	31/10/2001	31/10/2011	50,000	-	-	-	-	50,000	50,000
78.50	17/11/2004	17/11/2007	17/11/2014	4,256,182	-	(3,755,703)	-	-	500,479	500,479
74.00	24/08/2006	24/08/2009	24/08/2016	64,865	-	(64,865)	-	-	-	-
50.50	27/09/2007	27/09/2010	27/09/2017	914,018	-	-	-	-	914,018	-
43.50	20/12/2007	20/12/2009	20/12/2017	80,460	-	(20,115)	-	-	60,345	-
43.50	20/12/2007	20/06/2010	20/12/2017	200,000	-	(50,000)	-	-	150,000	-
46.50	29/09/2008	31/03/2009	29/09/2018	-	104,304	-	-	-	104,304	104,304
46.50	29/09/2008	31/03/2010	29/09/2018	-	233,334	-	-	-	233,334	-
46.50	29/09/2008	31/03/2011	29/09/2018	-	238,708	-	-	-	238,708	-
46.50	06/10/2008	31/03/2009	06/10/2018	-	214,077	-	-	-	214,077	214,077
46.50	06/10/2008	31/03/2010	06/10/2018	-	721,505	-	-	-	721,505	-
46.50	06/10/2008	31/03/2011	06/10/2018	-	1,050,000	-	-	-	1,050,000	-
46.50	06/10/2008	31/03/2012	06/10/2018	-	1,350,000	-	-	-	1,350,000	-
26.50	05/02/2009	30/09/2009	05/02/2019	-	12,000	-	-	-	12,000	-
Approved Schemes										
44.00	24/01/2001	24/01/2004	24/01/2011	37,500	-	-	-	-	37,500	37,500
13.50	26/09/2001	26/09/2004	26/09/2011	5,000	-	-	-	-	5,000	5,000
11.75	31/10/2001	31/10/2004	31/10/2011	23,888	-	-	-	-	23,888	23,888
Total				9,522,030	5,062,001	(4,867,986)	(800,000)	-	8,916,045	3,224,048
Weighted Average Exercise price				**56.49p**	**46.06p**	**75.95p**	**6.25p**	**n/a**	**44.45p**	**40.32p**

23.SHARE BASED PAYMENTS (CONTINUED)

As at 31 March 2008										
Details				Options for shares outstanding						Vested options for shares not yet exercisable
Exercise price	Grant date	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	26/07/2002	26/07/2012	266,666	-	-	-	-	266,666	266,666
6.25	26/07/2002	26/07/2003	26/07/2012	266,666	-	-	-	-	266,666	266,666
6.25	26/07/2002	26/07/2004	26/07/2012	266,668	-	-	-	-	266,668	266,668
6.25	02/07/2003	02/07/2004	02/07/2013	44,583	-	-	-	-	44,583	44,583
6.25	02/07/2003	02/07/2005	02/07/2013	51,916	-	-	(3,333)	-	48,583	48,583
6.25	02/07/2003	02/07/2006	02/07/2013	57,585	-	-	(3,334)	-	54,251	54,251
78.50	17/11/2004	17/11/2007	17/11/2014	583,818	-	-	-	-	583,818	583,818
74.00	24/08/2006	24/08/2009	24/08/2016	135,135	-	-	-	-	135,135	-
50.50	27/09/2007	27/09/2010	27/09/2017	-	85,982	-	-	-	85,982	-
43.50	20/12/2007	20/12/2007	20/12/2017	-	200,000	-	-	-	200,000	200,000
43.50	20/12/2007	20/06/2008	20/12/2017	-	210,000	-	-	-	210,000	-
43.50	20/12/2007	20/12/2008	20/12/2017	-	210,000	-	-	-	210,000	-
43.50	20/12/2007	20/06/2009	20/12/2017	-	210,000	-	-	-	210,000	-
43.50	20/12/2007	20/12/2009	20/12/2017	-	129,540	-	-	-	129,540	-
43.50	20/12/2007	20/06/2010	20/12/2017	-	10,000	-	-	-	10,000	-
Savings related scheme										
76.00	01/03/2006	01/03/2009	01/09/2009	337,565	-	-	-	-	337,565	-
Unapproved schemes										
5.00	29/03/2000	11/05/2000	29/03/2010	276,886	-	-	-	-	276,886	276,886
5.00	29/03/2000	11/02/2001	29/03/2010	276,887	-	-	-	-	276,887	276,887
5.00	29/03/2000	11/02/2002	29/03/2010	276,887	-	-	-	-	276,887	276,887
11.75	31/10/2001	31/10/2001	31/10/2011	50,000	-	-	-	-	50,000	50,000
78.50	17/11/2004	17/11/2007	17/11/2014	4,256,182	-	-	-	-	4,256,182	4,256,182
74.00	24/08/2006	24/08/2009	24/08/2016	64,865	-	-	-	-	64,865	-
50.50	27/09/2007	27/09/2010	27/09/2017	-	914,018	-	-	-	914,018	-
43.50	20/12/2007	20/12/2009	20/12/2017	-	80,460	-	-	-	80,460	-
43.50	20/12/2007	20/06/2010	20/12/2017	-	200,000	-	-	-	200,000	-
Approved Schemes										
44.00	24/01/2001	24/01/2004	24/01/2011	37,500	-	-	-	-	37,500	37,500
13.50	26/09/2001	26/09/2004	26/09/2011	5,000	-	-	-	-	5,000	5,000
11.75	31/10/2001	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**

24. 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.

25. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

There were no contingent assets or contingent liabilities as at 31 March 2009 (2008: nil).

(b) Commitments

Capital expenditure on property, plant and equipment committed by the Group at 31 March 2009 was £261,000 (2008: £370,000).

26. RISK MANAGEMENT

The Group finances its operations by raising finance through equity and bank borrowings. No speculative treasury transactions are undertaken however the Group does from time to time enter into forward foreign exchange contracts to hedge known currency exposures. Financial assets and liabilities include those assets and liabilities of a financial nature, namely cash, investments, short term receivables/payables and borrowings.

	2009 £'000	2008 £'000
Financial assets		
The Group's financial assets are:		
Deferred consideration on disposal of subsidiary	1,000	-
Trade receivables	697	1,647
Cash and cash equivalents	13,910	1,105
Lease deposit	884	884
Other receivables	174	92
Forward foreign exchange contracts	59	-
	16,724	**3,728**
Maturing		
One year or less or on demand	14,840	2,844
Over one year	1,884	884
	16,724	**3,728**
Financial liabilities		
The Group's financial liabilities are:		
Trade payables	(746)	(792)
Accruals	(1,923)	(1,024)
Finance leasing capital obligations	(202)	(427)
Bank overdrafts – floating rate	-	(362)
Bank loan – floating rate	-	(432)
	(2,871)	**(3,037)**
Maturing		
One year or less or on demand	(2,817)	(2,850)
Over one year	(54)	(187)
	(2,871)	**(3,037)**

All of the fixed interest obligations are repayable within one year. An analysis of the maturity of Group debt is given in note 20. 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 £nil (2008 - £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.

Currency risk

During the year the Group made payments totalling US$1.4m (2008 – US$1.1m) to acquire domain names for its Easyspace division. The Group entered into forward exchange contracts to hedge its exposure to the US Dollar arising on these purchases. At the year end, the Group had outstanding forward contracts under which it was due to purchase $500,000 for a total of £289,000, at an average exchange rate of US$:GBP of 1.73 over the period to August 2009. The fair value of these currency contracts is estimated to be approximately £348,000 and the gain of £59,000 has been recognised in the income statement for the year. There were no outstanding foreign exchange contracts at the end of the preceding year. The Group has no non-monetary assets or liabilities denominated in foreign currencies and the level of monetary assets and liabilities denominated in foreign currencies is minimal.

26. RISK MANAGEMENT (CONTINUED)

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. The Group's cash at bank is held within the UK clearing banks.

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

27. POST BALANCE SHEET EVENT

On 11 May 2009, the Group acquired the entire issued share capital of RapidSwitch Limited for a total cash consideration of £5.25 million. Of the total consideration of £5.25 million, £4.3 million was paid on completion and a further £0.95 million is payable on 31 March 2010. In addition, at the date of acquisition, RapidSwitch Limited had approximately £0.8m of net debt. Due to the proximity of the date of approval of the financial statements to the date of acquisition there has been insufficient time available to enable the identification of all assets, liabilities and contingent liabilities existing at date of acquisition and to perform a full and reliable fair value exercise thereon. Consequently, full disclosure as set out in IFRS 3 'Business combinations' has not been given as it is impracticable to provide this information.

Datacenter Operator of the year 2009

"I'd like to congratulate you on your marvellous win at the Storage Awards 2009. It just shows how highly the readership of Storage Magazine thinks of iomart Hosting - Data Centre Operator of the Year 2009."

Stuart Leigh, Publishing Director

Holding Company Financial Statements

Year ended 31March 2009

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 2009 which comprise the principal accounting policies, the balance sheet and notes 1 to 14. 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 2009.

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 United Kingdom 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 Directors' Report is consistent with the parent company 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 parent company financial statements. This other information comprises only the Chairman's Statement, the Chief Executive Officer's Report, the Finance Director's Report, the Director's Report, the Statement of Director's Responsibilities, Report of the Board to the Members on Director's Remuneration and the Corporate Governance. 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:

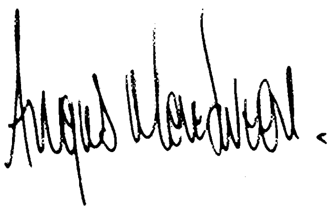
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR, CHARTERED ACCOUNTANTS
GLASGOW.
2 June 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Investments	4	17,129	20,033
		17,129	**20,033**
CURRENT ASSETS			
Debtors	5	13,081	11,585
Cash at bank		13,577	-
		26,658	**11,585**
CREDITORS: amounts falling due within one year	7	(5,400)	(6,406)
NET CURRENT ASSETS		21,258	5,179
NET ASSETS		**38,387**	**25,212**
CAPITAL AND RESERVES			
Called up share capital	9	1,002	994
Own shares	10	(678)	-
Capital redemption reserve	10	1,200	1,200
Share premium account	10	17,583	17,541
Profit and loss account	10	19,280	5,477
TOTAL EQUITY SHAREHOLDERS' FUNDS		**38,387**	**25,212**

These financial statements were approved by the board of directors on 2 June 2009.
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.

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.

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 company 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 profit and loss account 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.

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 £13,647,000 (2008: £242,000).

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2009 £'000	2008 £'000
Staff costs of the company during the year in respect of employees and directors were:		
Executive directors' remuneration	223	151
Non-executive directors' remuneration	110	95
Social security costs	30	22
Pension contributions to personal money purchase schemes	10	8
	373	**276**

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 2008	21,533
Share based payment	79
Disposal	(2,809)
Cost at 31 March 2009	**18,803**
Impairment	
At 1 April 2008	(1,500)
Charge for the year	(174)
Impairment at 31 March 2009	**(1,674)**
Net book value of Investments at 31 March 2009	**17,129**
Net book value of Investments at 31 March 2008	**20,033**

All of the above investments are unlisted.
The following subsidiaries are included in the company financial statements:

			Ordinary share capital	
	Country of registration and operation	**Activity**	**Owned by company %**	**Owned by subsidiary undertakings %**
iomart Limited	Scotland	Dormant	100	-
iomart Hosting Limited	Scotland	Managed hosting services	100	-
Netintelligence Limited	Scotland	Network security	100	-
iomart Virtual Servers Hosting Limited	Scotland	Dormant	100	-
Easyspace Datacentres (UK) Limited	Scotland	Dormant	100	
Easyspace Limited	England	Webservices	100	-
Ezee DSL Limited	England	Datacentre services	99.8	-
Internetters Limited	England	Webservices	-	100
NicNames Limited	England	Dormant	-	100
Web Genie Internet Limited	England	Webservices	-	100

5. DEBTORS

	2009 £'000	2008 £'000
Prepayments and accrued income	299	96
Other debtors	1,076	-
Other taxation and social security	49	323
Deferred taxation (note 6)	79	205
Amounts owed by subsidiary undertakings	11,578	10,961
	13,081	**11,585**

6. DEFERRED TAXATION

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

	2009		2008	
	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000
Share based remuneration	79	-	205	-

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

	2009 £'000	2008 £'000
Balance brought forward	205	-
Income statement movement arising during the year	(51)	-
Profit and loss account reserve movement during the year	(75)	205
Balance carried forward	79	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

	2009 £'000	2008 £'000
Bank loan	-	432
Bank overdraft	-	277
Trade creditors	58	342
Other taxation and social security	169	179
Accruals and deferred income	824	257
Amounts owed to subsidiary undertakings	4,349	4,919
	5,400	**6,406**

8. BORROWINGS

	2009 £'000	2008 £'000
Current:		
Bank loan	-	432
Bank overdrafts	-	277
Total current borrowings	**-**	**709**

9. SHARE CAPITAL

	Ordinary shares of 1p each Number of shares	£'000
Authorised		
At 31 March 2008 and 2009	**200,000,000**	**2,000**
Called up, allotted and fully paid		
At 31 March 2008	99,439,302	994
Exercise of options	800,000	8
At 31 March 2009	**100,239,302**	**1,002**

During the year the company issued an additional 800,000 (2008: 6,667) ordinary shares of 1p each in respect of the exercise of options, for which a net total of £50,000 (2008: £416) was received.

At 31 March 2009 the company held 3,294,547 (2008: nil) shares in treasury which are accounted for in the Own Shares reserve and had a nominal value of £32,945 (2008: £nil) and a market value of £1,070,728 (2008: £nil). This represented 3.4% (2008 – nil) of the issued share capital as at 31 March 2009 excluding treasury shares.

The share capital of iomart Group plc consists of ordinary shares with a par value of 1p. All shares, excluding treasury 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 2009 are fully paid

10. STATEMENT OF MOVEMENT IN RESERVES

	Own shares £'000	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
Profit for the financial period	-	-	-	13,647
Share based payments	-	-	-	231
Share capital issued	-	-	42	-
Acquisition of own shares	(678)	-	-	-
Deferred tax on share based remuneration	-	-	-	(75)
Opening balance	-	1,200	17,541	5,477
Closing balance	**(678)**	**1,200**	**17,583**	**19,280**

11. MOVEMENT IN SHAREHOLDERS' FUNDS

	2009 £'000	2008 £'000
Profit for the financial period	13,647	242
Dividend paid	-	-
Share capital issued	50	-
Acquisition of own shares	(678)	-
Share based payments in company only	231	40
Deferred tax on share based remuneration	(75)	205
	13,175	**487**
Opening shareholders' funds	**25,212**	**24,725**
Closing shareholders' funds	**38,387**	**25,212**

12. SHARE BASED PAYMENTS

For details of share based payment awards and fair values see note 23 to the Group financial statements. The Company accounts recognise the charge for share based payments for the year of £231,000 (2008: £143,000) by:

1) taking the charge in relation to employees of the holding company through the holding company income statement £152,000 (2008: £40,000); and

2) recording an increase to its investment in subsidiaries for the amounts attributable to employees of subsidiaries and recording a corresponding entry to the profit and loss account reserve £79,000 (2008: £103,000).

13. CONTINGENCIES AND COMMITMENTS

(a) Contingencies
There are no contingent assets or contingent liabilities present as at 31 March 2009 (2008: Nil).

(b) Commitments
There are no commitments present as at 31 March 2009 (2008: Nil).

14. POST BALANCE SHEET EVENT

On 11 May 2009, the Company acquired the entire issued share capital of RapidSwitch Limited for a total cash consideration of £5.25 million. Of the total consideration of £5.25 million, £4.3 million was paid on completion and a further £0.95 million is payable on 31 March 2010. In addition, at the date of acquisition, RapidSwitch Limited had approximately £0.8m of net debt.

Notice of the 2009 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2009 annual general meeting of the Company will be held at Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow G20 0SP on 27 August 2009 at 2.30 pm for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and resolutions 9 to 12 (inclusive) will be proposed as special resolutions:-

1 To receive and adopt the financial statements of the Company and the directors' and auditors' reports thereon for the year ended 31 March 2009.

2 To approve the report of the board to the members on directors' remuneration for the year ended 31 March 2009.

3 To reappoint Angus MacSween (who retires by rotation and, being eligible, offers himself for re-election) as a director of the Company.

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

5 To declare a final dividend for the year ended 31 March 2009 of 0.3p per ordinary share, payable on 3 September 2009 to shareholders registered at the close of business on 12 June 2009.

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

7 That, for the purposes of section 80(1) of the Companies Act 1985 (the "Act"), the directors of the Company 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 Act) subject to the following conditions:-

(a) the maximum nominal amount of relevant securities to be allotted in pursuance of such authority shall be £323,149; and

(b) this authority shall expire, unless sooner revoked or varied by the Company in general meeting, on the conclusion of the next annual general meeting of the Company, 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 That, for the purposes of section 80(1) of the Act, the directors of the Company be and they are hereby generally and unconditionally authorised to exercise all of the powers of the Company to allot equity securities (within the meaning of section 94 of the Act) in connection with a rights issue in favour of the holders of ordinary shares in the capital of the Company (the "Ordinary Shareholders") where the equity securities respectively attributable to the Ordinary Shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them up to a maximum nominal amount of £323,149 provided that this authority shall expire, unless sooner revoked or varied by the Company in general meeting, on the conclusion of the next annual general meeting of the Company, 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 an offer or agreement as if the power conferred by this resolution had not expired.

9 That, subject to the passing of resolutions 7 and 8 above, the directors of the Company be and are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (within the meaning of sections 94(2) to 94(5)(A) of the Act) for cash 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 of 1p each in the capital of the Company ("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 current articles of association of the Company (or article 41 of the articles of association proposed to be adopted by the Company pursuant to resolution 12 below); and

(c) the allotment (otherwise than pursuant to (a) and/

or (b) above) of equity securities up to an aggregate nominal amount of £48,472, provided that this authority shall expire, unless sooner revoked or varied by the Company in general meeting, on the conclusion of the next annual general meeting of the Company, 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.

10 That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act (or its successor provision, section 701 of the Companies Act 2006 (the "2006 Act"), once such provision comes into force) to make one or more market purchases (within the meaning of section 163(3) of the Act (or its successor provision, section 693(4) of the 2006 Act, once such provision comes into force)) on a recognised investment exchange (as defined in section 163(4) of the Act (or its successor provision, section 693(5) of the 2006 Act, once such provision comes into force)) of Ordinary Shares provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 9,694,475 (representing 10% of the Company's issued ordinary share capital at the date of the notice of this annual general meeting (excluding shares held by the Company in treasury));

(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 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.

11 That the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 days' notice from the date of the passing of this resolution and expiring at the conclusion of the next annual general meeting of the Company.

12 That with effect from the close of the annual general meeting of the Company, the regulations contained in the document submitted to this meeting and for the purposes of identification signed by the Chairman as relative to this resolution be and are hereby approved and adopted as the new articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company.

By order of the board

Bruce Hall, Company Secretary
Lister Pavilion, Kelvin Campus,
West of Scotland Science Park,
Glasgow G20 0SP

30 July 2009

NOTES:
Appointment of Proxy

1 As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a meeting of the Company. You should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in the notes to the proxy form. A proxy need not be a member of the Company.

2 To be effective, the proxy form, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be deposited at the office of the Company's registrars, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours (excluding weekends and bank holidays) before the time for holding the meeting (i.e. by 2.30pm on Tuesday 25 August 2009) and if not so deposited shall be invalid.

Entitlement to attend and vote

3 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered in the Company's register of members at:

- 6.00pm on 25 August 2009; or
- if this meeting is adjourned, at 6.00pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.

Documents on Display

4 Copies of the service contracts and letters of appointment of the directors of the Company will be available:

- for at least 15 minutes prior to the meeting; and
- during the meeting.

In addition, a copy of the articles of association proposed to be adopted by the Company pursuant to Resolution 12 (together with a copy marked to show the changes as between the existing articles of association of the Company and those proposed new articles of association of the Company) will be available for inspection at the registered office of the Company during normal business hours until the conclusion of the meeting.

Communication

5 Except as provided above, members who wish to communicate with the Company in relation to the meeting should do so by post to the Company's registered office, details of which are below. No other methods of communication will be accepted.

Address: The Company Secretary, iomart Group plc, Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow G20 0SP

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING IOMART GROUP PLC

Ordinary Resolutions

Resolutions 1 to 8 are all to be proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

Resolution 1 – To receive and adopt the financial statements for the year ended 31 March 2009 and the directors' and auditors' reports thereon

For each financial year the directors of the Company must present the audited financial statements, the directors' report and the auditors' report on the financial statements to the shareholders at an annual general meeting.

Resolution 2 – To approve the directors' remuneration report

Shareholders are asked to approve the directors' remuneration report which may be found in the annual report on pages 10 to 12. This resolution is an advisory one and no entitlement to remuneration is conditional on the resolution being passed.

Resolution 3 and 4 – Re-election of directors

Under articles 83 and 84 of the Company's current articles of association one third of the directors are required to retire by rotation at each annual general meeting. Pursuant to those articles, Mr Angus MacSween and Mr Richard Logan are required to retire by rotation at this annual general meeting and, being eligible, offer themselves for reappointment. The Board is satisfied that the performance of Mr MacSween and Mr Logan continues to be effective and demonstrates commitment to their roles with the Company including commitment of time for Board meetings and other duties required of them. Accordingly, resolutions 3 and 4 propose the reappointment of Mr MacSween and Mr Logan.

Brief biographical details of Mr MacSween and Mr Logan are given below.

Angus MacSween is the Company's Chief Executive Officer. Angus started his first business selling telephony systems in 1984. Since selling his first business he has established, grown and sold 5 more profitable concerns in the telecoms and internet sector. In December 1998, Angus founded iomart and has been the driving force behind the Group's strategic development. Angus' contributions to the commercial sector were formally recognised in 2004, when he received the prestigious Glenfiddich Spirit of Scotland Business Award.

Richard Logan is the Company's Finance Director. Richard was Finance and Commercial Director of Kingston SCL for 10 years during which time he engineered a management buy out and subsequent trade sale. He has also held the posts of Finance Director with ePOINT Group and The Interactive University and Group Treasurer of Ben Line. He is a member of The Institute of Chartered Accountants of Scotland. Richard joined iomart in 2006.

Resolution 5 – To declare a dividend 0.3p per Ordinary Share

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution declare dividends, but no dividend shall exceed the amount recommended by the Board. The Board recommends the payment of a final dividend of 0.3p per Ordinary Share, to be payable to shareholders registered at close of business on 12 June 2009.

Resolution 6 – Re-appointment and remuneration of auditors

The Company is required at each general meeting at which financial statements are presented to shareholders to appoint auditors who will remain in office until the next such meeting. Grant Thornton UK LLP have expressed their willingness to continue in office for a further year. In accordance with company law and corporate governance best practice, shareholders are also asked to authorise the directors to determine the auditors' remuneration.

Resolutions 7 and 8 – Authority to authorise the directors to allot shares

Section 80 of the Companies Act 1985 (the "Act") requires that the authority of the directors to allot shares shall be subject to the approval of the shareholders in general meeting. These resolutions, if passed, would give the directors general authority to allot shares in the capital of the Company.

Resolution 7 would give the directors the authority to allot shares up to an aggregate nominal amount of £323,149, being approximately one-third of the issued ordinary share capital of the Company as at the date of the notice of this meeting (excluding shares held by the Company in treasury). The Company's issued share capital at the date of the notice of this meeting is £1,002,393.02 divided into 100,239,302 Ordinary Shares of 1p each. 3,294,547 of such shares are held in treasury and accordingly the issued share capital of the Company excluding shares held in treasury is £969,447.55 divided into 96,944,755 Ordinary Shares.

In line with recent guidance issued by the Association of British Insurers, resolution 8 would give directors the authority to allot shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £323,149 (representing 32,314,900 Ordinary Shares). This amount represents approximately a further one third of the issued ordinary share capital of the Company as at the date of the notice of this meeting (excluding shares held by the Company in treasury).

There is no present intention to exercise either of the authorities sought under these resolutions, which will expire at the conclusion of the Company's annual general meeting to be held in 2010.

Special Resolutions

Resolutions 9 to 12 will be proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 9 - Disapplication of statutory pre-emption rights

Resolution 9 gives authority to the directors of the Company to disapply the provisions of section 89(1) of the Act. Under that section, if the directors wish to allot any of the unissued shares for cash the directors must in the first instance offer those shares to existing shareholders in proportion to the number of shares held by such shareholders. 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 9 (at paragraph (a)) asks shareholders to do this, but only for new shares equal to 5 per cent. of the Company's issued ordinary share capital as at the date of the notice of this meeting (excluding shares held by the Company in treasury). The directors will be able to use this power without obtaining further authority from shareholders before they allot new shares covered by it. However, by setting the limit of 5 per cent., the interests of existing shareholders are protected, as their proportionate interest in the Company cannot, without their agreement, be reduced by more than 5 per cent. by the issue of new shares for cash to new shareholders. If the directors wish, other than by rights issue, to allot for cash new shares which would exceed this limit, 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.

Under the Company's articles of association the Board may, with the sanction of an ordinary resolution, offer the holders of shares the right to receive shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of such dividend or dividends as are specified by such resolution. Paragraph (b) of resolution 9 asks shareholders to waive their pre-emption rights in respect of any such issue of shares.

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 9 (at paragraph (c)), 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 9 will, unless sooner revoked or renewed by the Company in general meeting, last until the conclusion of the next annual general meeting of the Company to be held in 2010.

Resolution 10 – Authority to purchase the 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 as at the date of the notice of this meeting (excluding shares held by the Company in treasury).

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 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 earning 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 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 10 to effect 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.

The statutory provisions governing buy backs of own shares are currently contained in, inter alios, sections 163 and 166 of the Companies Act 1985. These provisions are due to be replaced by substantially equivalent provisions (principally sections 693 and 701 of the Companies Act 2006) with effect from 1 October 2009. Accordingly, resolution 10 refers to both the current statutory provisions and the successor statutory provisions.

Resolution 11 – Authority to the Company to call general meetings other than annual general meetings on 14 clear days' notice

Resolution 11 proposes the holding of general meetings, other than annual general meetings, on 14 clear days' notice to the shareholders. Although the Company's new articles of association proposed to be adopted pursuant to resolution 12 below will permit this, regulations are due to come into force on 3 August 2009 to implement the Shareholder Rights Directive, which (as currently drafted) will require the passing of a shareholder resolution to authorise such notice. Without the passing of resolution 11, the minimum notice under the regulations (as currently drafted) would be 21 days. In order to maintain flexibility to call meetings and in common with other public companies, the directors consider it appropriate to pass resolution 11 in order to prevent being constrained by the regulations implementing the Shareholder Rights Directive. The authority will expire at the conclusion of the annual general meeting of the Company to be held in 2010, when it is intended that a similar resolution will be proposed.

Resolution 12 - Adoption of new articles of association

Resolution 12 proposes to update the Company's current articles of association (the "Current Articles") primarily to take account of the changes in law brought about by the Companies Act 2006. This updating would be effected by the adoption of new articles of association. The Companies Act 2006 is being implemented in phases, with a number of provisions having already been implemented and further provisions to be implemented in the future.

Accordingly, it is proposed that a new set of articles of association (the "New Articles") be adopted at the annual general meeting on 27 August 2009. An explanation of the changes to the Current Articles proposed to be made at the annual general meeting are contained in the Appendix.

In addition to the changes to the articles of association of the Company to take into account the provisions of the Companies Act 2006, further changes are proposed in order to update and simplify the articles of association of the Company, and to take account of changes in market practice. Please note that any changes which are of a minor, technical or clarifying nature have not been included in the Appendix.

Please note that copies of the New Articles showing the proposed changes to the Current Articles are available for inspection at the registered office of the Company, Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow, G20 0SP.

APPENDIX
EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCATION

1 Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main amended to bring them into line with the Companies Act 2006.

2 Form of resolutions

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

3 Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been amended in the New Articles.

4 Treasury shares

At the time the Current Articles were adopted, UK law did not have a concept of treasury shares. Accordingly, in the New Articles, various provisions of the Current Articles have been updated to reflect the fact that treasury shares are now a feature of UK company law.

5 Uncertificated shares

When the Current Articles were adopted, the Uncertificated Securities Regulations 1995 (SI 1995/3272) were in force in respect of shares held in uncertificated form. These regulations were subsequently replaced by the Uncertificated Securities Regulations 2001 (SI 2001/3755). Accordingly, the New Articles refer to those new regulations and, generally, the New Articles incorporate updated language reflecting changes in market practice with respect to uncertificated shares.

6 Convening extraordinary and annual general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

7 Vote of members

The New Articles reflect that under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the Articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. The New Articles reflect all of these provisions.

8 Remuneration of directors

The Current Articles provided that the remuneration of the directors (other than executive directors) shall be such amount as the directors shall from time to time determine provided that, unless otherwise approved by the Company in general meeting, the aggregate of the remuneration of such directors shall not exceed £100,000 per year. In the New Articles, such figure is increased to £150,000.

9 Chairman's casting vote

Under the Companies Act 2006 the chairman no longer has a casting vote at general meetings at which a show of hands takes place or at which the demand for a poll is made. The New Articles reflect the new provisions of the Companies Act 2006.

10 Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interest. The requirement is very broad and could apply, for example, if a director becomes a director or another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving right to the potential conflict has previously been authorised by the directors.

11 Notice of Board Meetings

Under the Current Articles, when a director is abroad it shall not be necessary to give notice of a meeting of the Board to a director who is absent from the United Kingdom. This provision has been amended, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. This provision has been amended so that a director is treated as having waived his entitlement to notice if he is abroad, unless he supplies the Company with the information necessary to ensure that he can be provided with the notice by electronic communication.

12 Electronic web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enabled companies to communicate with members by electronic and/or website communications. The New Articles allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of a website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

13 Directors' indemnities

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In addition, the existing exemption allowing a company to provide money for the purpose of funding a directors' defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

14 General

Generally the opportunity has been taken to bring clearer order and language into the New Articles and in some areas to conform the language of the New Articles.

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