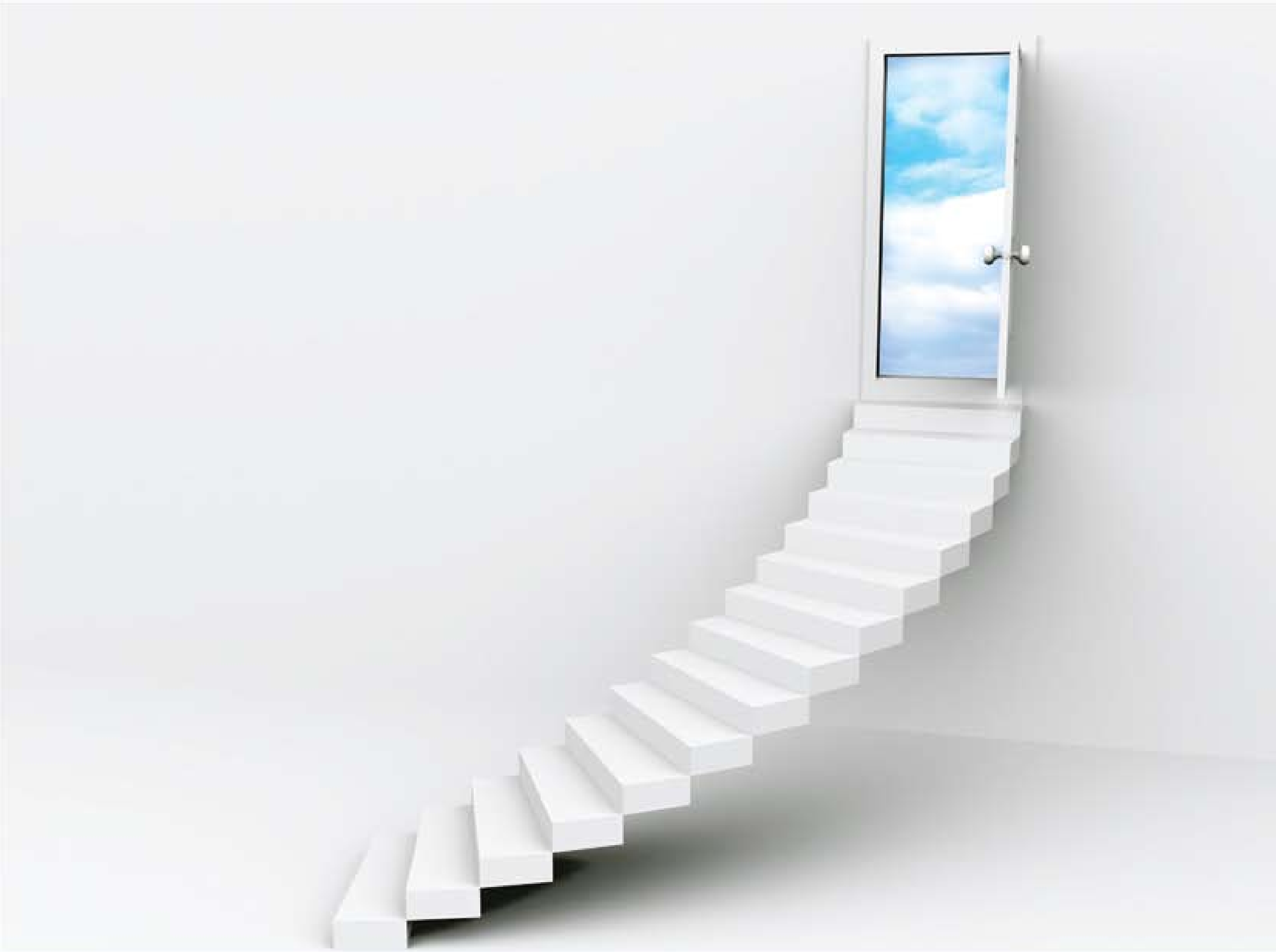
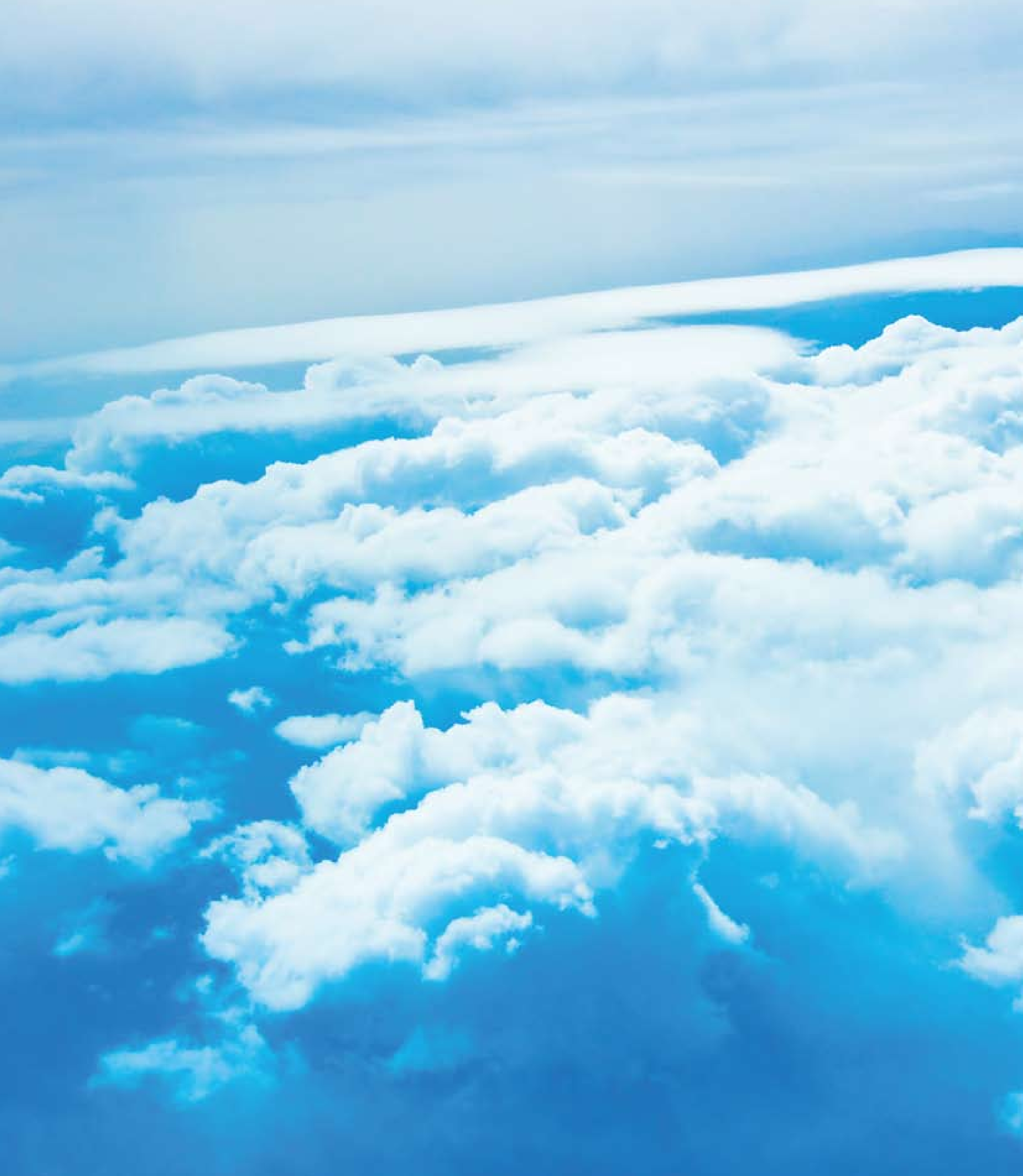


iomart
100% Uptime

Annual Report and Accounts 2010

We are deploying cloud services to our customers and using a range of virtualization technologies to deliver high availability services to organisations who expect 100% uptime.



Highlights

Financial

- Adjusted EBITDA of £3.1m (2009: loss of £0.3m)
- Revenue growth of 55% to £18.3m (2009: £11.8m)
- Cashflow from operations of £3.9m (2009: £0.3m)
- Earnings per share from continuing operations of 2.12p (2009: negative earnings per share of 1.95p)
- Dividend up 33% to 0.4p per share (2009: 0.3p per share)
- Initial acquisition facility of £10m provided by Lloyds Banking Group

Operational

- Robust demand in internet usage and cloud computing ensuring high visibility of recurring revenues
- Inflexion point reached such that future sales will contribute high levels of profitability - iomart Hosting customer base more than doubled in size since March 2009
- RapidSwitch integrated into Group and operations completely migrated into own datacentre in Maidenhead

iomart
100% Uptime

£3.1M
EBITDA

55%
Increase
in Revenue

33%
Increase
in Dividend

£3.9M
Cashflow
from Operations

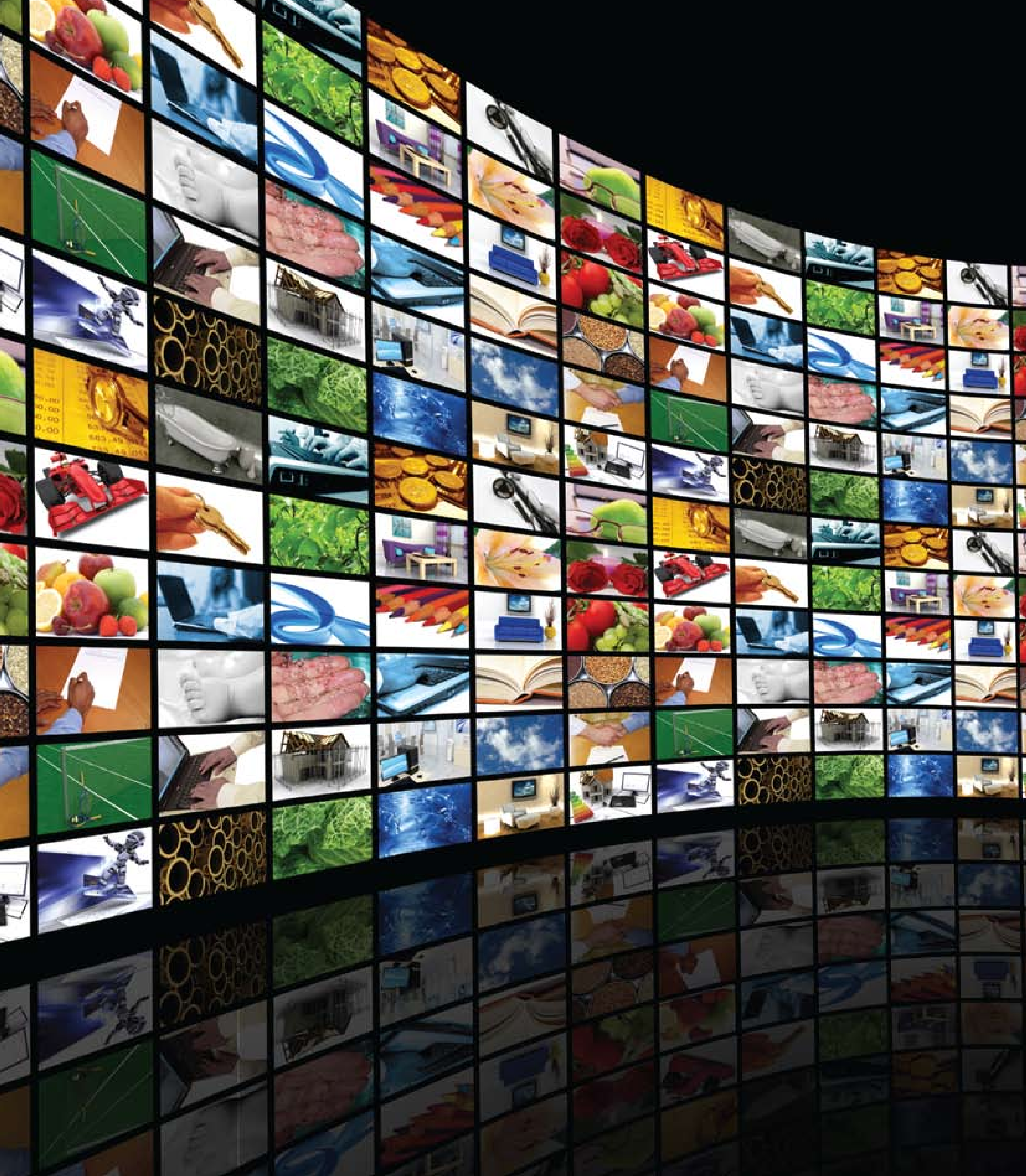
"We needed a disaster recovery facility that could meet our requirements for continuity of service, accessibility, security, environmental considerations and best practice. iomart Hosting came out on top. Our aim is to ensure that our learners can access their learning around the clock when they need to. "

Fiona Benoist, Technology Services Manager for learndirect

Contents

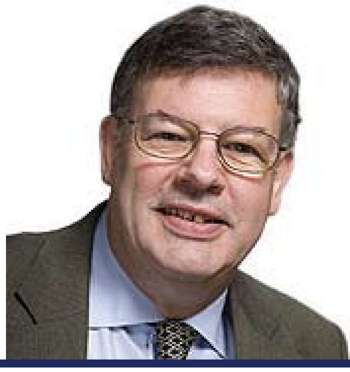
"When we met with iomart hosting they understood our world which is a great head start. We're moving such a lot of digital media content around the world and we wanted our hosting partner to have a grasp of our business. We immediately felt that we could trust iomart Hosting."

Ben Smith, Chief Technical Officer, ChilliBean



"the highlight of the year is our move into profitability after two years of investment whilst establishing our managed hosting operation."

Ian Ritchie, Chairman



Once again I am delighted to report that iomart has enjoyed another very successful year. Focussing on our core strategic goal of becoming one of the UK's leading managed hosting operators with owned datacentres has undoubtedly driven that success.

The highlight of the year is our move into profitability especially in the face of particularly demanding economic conditions. This has been achieved following two years of investment in establishing our managed hosting operation. The move into profitability has been achieved by both continued organic growth and through the successful acquisition and integration of Rapidswitch during the year.

We remain keen to grow the company through further acquisitions and were delighted to secure a facility from our bank to finance future growth.

The success which has been achieved over the year is completely due to the dedication and commitment of the senior management team and all employees of the Group. On behalf of the Board and all shareholders I am pleased to have this opportunity to acknowledge the contribution they have all made to our achievements this year.

I indicated in my statement last year, when I advised of the re-introduction of a dividend payment, that your Board intended, depending on the underlying profitability and cash generation of the Group, to continue to pay dividends going forward. Due to our success during the year we have already declared an interim dividend of 0.4p per share which was paid to shareholders on 1 April 2010. The Board intends to continue to reward shareholders with an increasing dividend stream as profitability and liquidity grows.

Each year since I became Chairman of the Group, I have been in the fortunate position of advising you, in my statement, of the excellent progress which we have made over the year under review. Likewise, each year, as I have considered our future prospects, I have advised you of the confidence we have felt regarding our continued success. This year I can once again assure you that we are convinced that we will deliver another strong performance in the year to come.

"We are convinced that we will deliver another strong performance in the year to come."

Ian Ritchie
Chairman
1 June 2010

"We continue to deliver on the strategic goal of being the UK leader in the managed hosting market and I am delighted to report an excellent year of trading for the Group."

Angus MacSween, Chief Executive Officer

Introduction

We continue to deliver on the strategic goal of becoming one of the UK's leading managed hosting Groups and I am delighted to report an excellent year of trading for the Group. Revenues have grown 55% to £18.3m and we have moved through the inflexion point from losses into profitability. Accordingly, the Group's adjusted EBITDA* went from a loss of £0.3m in 2009 to a profit of £3.1m in 2010. In addition we were significantly cash generative producing cashflow from operations of £3.9m in the year.

The acquisition of our own datacentre capacity at the end of March 2007 exposed the Group to a planned period of losses as we absorbed the high level of fixed costs of the datacentres whilst taking up the challenge of growing revenues from a zero base. As a consequence we have recorded adjusted EBITDA losses in the past two years whilst making excellent progress in establishing our managed hosting operation. We have always retained a very strong belief that the ownership of our own datacentre capacity is an essential element in delivering on our strategic goal. This short period of loss making was necessary as we laid the foundations for a highly profitable managed hosting business.

A feature of this model is the contracted nature of the services provided giving excellent forward visibility of revenues and profits.

Easyspace, which services the micro and SME market through its website has continued to provide the Group with strong levels of profits and cash generation and has helped underpin our ability to grow our managed hosting operation in the way we had planned.

The acquisition of Rapidswitch in May has helped accelerate our move into profitability. We are very happy with the performance of the business since acquisition and it has now been fully integrated into our Hosting segment enhancing our ability to provide a spectrum of managed hosting services to any size of company.

We continue to look for opportunities to acquire companies that will enhance our position in the managed hosting market and we are pleased to announce an initial acquisition facility of £10m with our bank, Lloyds Banking Group. At a time when the lack of availability of debt finance is a constant topic of debate in the corporate world it shows the belief that the bank has in both our business model and our ability to continue to grow successfully.

Operational Review

Whilst all our activities involve the provision of managed hosting services we are organised into two segments.

"We are now more established, with more credibility and with a growing reputation for good service. We look forward to delivering another year of growth and enhanced profitability."

Hosting

Our Hosting segment provides managed hosting services to a wide range of SME and corporate customers. This includes the provision of complex hosting solutions to the corporate market through iomart Hosting; dedicated server hosting services to the SME market through Rapidswitch and cloud security services to the large corporate and education sector through Netintelligence.

iomart Hosting has been the driver of most of the organic growth. We have won over 300 new orders in the period almost half of which were from new customers and the balance were additional orders from existing customers. We are very pleased that our customers continue to show confidence in our provision of services in this way and we believe that additional orders from existing customers will form an important part of our future growth provided we maintain the level of service that we currently offer.

The introduction of our cloud product offerings during the year have been well received and has helped maintain our leading technological position in the marketplace. We have a highly experienced and innovative technology team, and we are currently testing or using all the flavours of virtualisation technologies to develop ‘private clouds’ for mission critical applications which we provide under our 100% uptime guarantee. Using our multiple datacentres we can provide an enviable level of resilience and backup/disaster recovery.

Rapidswitch has continued to grow revenues at a similar rate in absolute terms under the ownership of the Group as it did before being acquired. One of the major tasks in the period since acquisition was to move all servers from a rented datacentre facility to our own datacentre in Maidenhead. This major project was successfully achieved whilst continuing to deliver revenue growth and has resulted in the Group being free from any external datacentre rental costs going forward. We also continued with the fit out of the Maidenhead datacentre adding a further 3,500 square feet of new space during the year.

Netintelligence has focussed on the education market over the period. After a successful trial period at the start of the year, our “Software as a Service” internet security product was chosen by all of the suppliers to be part of the UK government’s Universal Home Access (UHA) laptop provision programme towards the end of the year.

Our revenues in the Hosting segment have grown from £4.6m at the last year end to £11.0m for this year, an overall increase of £6.4m (139%) which has led to a substantial increase in profitability.

Easyspace

Our Easyspace segment, which serves the micro and SME market with a range of products including domain names, shared hosting and dedicated and virtual servers has performed well. We have continued to drive operational efficiencies over the year as we seek to increase the profitability of Easyspace. Despite a competitive marketplace and an exposure to a strengthening US Dollar as a result of these efficiencies we have managed to improve the overall profitability of this segment.

Easyspace revenues for the year were £7.4m an increase of 2% over the previous year whilst the adjusted EBITDA profit margin has increased from 30% to 35%.

Current trading and outlook

We are now more established, with more recognition of our presence in the market and with a growing reputation for excellent service. We are also in a fragmented and fast growing market where more and more companies are looking to outsource their web facing infrastructure to a trusted supplier. We intend to be leaders in that market.

We are deploying leading edge cloud services to our customers and using a range of virtualisation technologies to deliver high availability services to organisations who expect 100% uptime.

We look forward to another exciting year of delivering significant growth and profitability.

Angus MacSween, Chief Executive Officer. 1 June 2010

* Throughout the Chief Executive Officer, Finance Director and Directors' reports adjusted EBITDA for March 2010 is earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges and gain on reduction of deferred consideration and for March 2009 is EBITDA before share based payment charges.

"With the net cash balance at the end of the year and the availability of the new bank facility we are very well funded to continue our growth through both organic and acquisitive means."

Richard Logan, Finance Director

Trading results

Revenues for the year of £18.3m (2009: £11.8m) have grown by 55% with both of our operating segments having contributed to this growth.

The Hosting segment grew revenues to £11.0m (2009: £4.6m) which is an increase of 139%. This, of course, includes the contribution from Rapidswitch which was acquired in May 2009. The growth in the Hosting segment revenues over the previous year excluding the impact of Rapidswitch was 37%.

Easyspace grew revenues by 2% to £7.4m (2009: £7.2m) in challenging market conditions.

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 our datacentres from revenue, was £10.5m (2009: £6.1m). This substantial increase in gross margin was as a direct result of higher revenues in the Hosting segment. In percentage terms the gross margin improved to 57% (2009: 52%). Despite a continued exposure to a stronger US Dollar, Easyspace has maintained its gross margin percentage over the year through the introduction of selective price increases. Hosting continues to show an improved gross margin percentage as it generates additional sales revenues whilst its fixed costs of operation remain unchanged. The inclusion of Rapidswitch within the Hosting segment has also helped to improve the gross margin over the year in both absolute and percentage terms.

The Group's adjusted EBITDA for the year of £3.1m (2009: adjusted EBITDA loss of £0.3m) showed a very significant improvement over last year. Both of our segments have helped to deliver this expected improvement.

Our Hosting segment's adjusted EBITDA was £2.8m (2009: adjusted EBITDA loss of £0.2m). This significant improvement is a direct result of the generation of sufficient sales revenues to cover the fixed cost base which was in place when our datacentre operations were established. New sales in the year have therefore contributed at a high margin level to the adjusted EBITDA for the period. We have also continued to invest in our Hosting operation through increases in both sales and technical staff headcount and marketing expenditure thereby increasing overhead expenditure. The Rapidswitch operation which was acquired in the year and which was integrated into the Hosting segment during the year also contributed significantly to the improvement in adjusted EBITDA performance.

Easyspace improved its adjusted EBITDA to £2.6m (2009: £2.2m) and most encouragingly in a very competitive market environment also achieved a substantial improvement in its adjusted EBITDA margin to 35% from 30%. This margin improvement has been achieved through operational efficiencies predominantly in the areas of staffing and marketing.

Group overheads, which are not allocated to segments, includes the cost of the Board, all the running costs of the premises in Glasgow, Group marketing, human resource, finance and design functions and legal and professional fees for the year of £2.2m has reduced from £2.3m in 2009.

Depreciation charges of £1.8m (2009: £1.0m) have increased as we acquire equipment to provide hosting services to our customers and also as a result of the acquisition of Rapidswitch. The charge for amortisation of intangibles of £0.5m (2009: £0.1m) has increased as a consequence of the acquisition of Rapidswitch which has resulted in the recognition of additional intangible assets. The charge for share based payments in the year of £0.4m (2009: £0.2m) has increased as a result of the issue of additional share options.

As a consequence of the reduction in the amount due for the deferred consideration, details of which are given in Note 20, on the acquisition of Ezee DSL Limited through which we acquired our datacentres an exceptional gain of £1.0m, offset by associated costs of £0.1m, has been credited to the Income Statement in the year.

Net finance income was nil (2009: £0.4m receipt) and has reduced from the level last year due to the reduction in cash balances, the reduction in interest rates and the use of finance leases to fund the acquisition of equipment for customers.

As a result the profit for the year before tax was £1.3m (2009: loss of £1.2m).

The taxation credit for the year of £0.8m (2009: taxation charge of £0.7m) relates to the recognition of a deferred tax asset in respect of accumulated tax losses which the Group now expects to use up quicker than previously expected.

The profit for the year from continuing operations after taxation was £2.1m (2009: loss of £1.9m).

Earnings per share
Basic earnings per share from continuing operations was 2.12p (2009: negative earnings per share of 1.95p).

Acquisition
In May 2009 the company acquired Rapidswitch Limited for a total consideration of £5.5m, including £0.2m of costs related to the acquisition. Full details of this acquisition are given in note 10.

Cash flow and net cash
The Group enjoyed strong operating cash generation over the year resulting in a cash flow from continuing operations of £3.9m (2009: £0.3m). The improvement over the prior year was a direct consequence of the improved adjusted EBITDA recorded in the year. After deducting a tax payment of £0.2m relating to the operations of Rapidswitch the net cashflow from operating activities was £3.7m (2009: £0.8m).

Over the year, in total, the Group spent £11.0m (2009: £13.0m receipt) in investing activities. The biggest single element of this was the acquisition of Rapidswitch which cost £5.5m, including related costs. In addition, £2.9m was spent in the part settlement of the deferred consideration, together with related costs, due on the acquisition of Ezee DSL Limited. We also invested £2.3m (2009: £1.5m), net of related finance lease drawdown, in the purchase of property plant and equipment primarily in acquiring the equipment to provide services to our Hosting customers and also in the fit out of additional datacentre space. Expenditure was incurred on development costs £0.3m (2009: £0.2m), purchase of intangible software assets £0.1m (2009: nil). There were two items related to the acquisition of Rapidswitch including the repayment of borrowings of £0.2m and the cash balance acquired of £0.2m. Finally, we received £0.2m of interest on our deposits over the year.

Our financing activities absorbed £0.9m of cash (2009: £1.3m). This included sums spent on repayment of borrowings and finance leases and dividends.

As a consequence, our overall cash expenditure over the year was £8.2m (2009: £13.2m receipt) which resulted in cash and cash equivalent balances at the end of the year of £5.7m (2009: £13.9m). After recognising finance lease obligations of £1.3m (2009: £0.2m) net cash at the end of the period was £4.4m (2009: £13.7m).

Subsequent to the year-end we have secured a £10m facility with our bankers for the purposes of funding acquisitions and capital expenditure.

Financial position

Having generated a cash flow from operations of £3.9m we are now generating significant amounts of operating cash which will be available to fund the continuing need to invest in capital expenditure for the equipment required to provide services for new managed hosting customers. With the net cash balance at the end of the year and the availability of the new bank facility we are very well funded to continue our growth through both organic and acquisitive means.

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. In addition to these risks Note 27 contains details of financial risks.

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.

Search engine optimisation

A significant amount of the Group's sales revenues are generated through consumers using internet search engines to acquire goods and services. The Group continually monitors the position of its websites with respect to these search engines. Through the engagement of expert consultants and the allocation of experienced staff the Group seeks to maintain or enhance the position of its websites for detection by internet search engines.

Richard Logan
Finance Director
1 June 2010

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 11 to 14, 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.iomart.com, as a means of providing information to shareholders and other related parties. The company’s annual report and accounts, interim reports and other relevant announcements are maintained on the website.

Report of the board to the members on directors' remuneration

The 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 Section 412 of the Companies Act 2006. 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 their 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.

- Joint Share Ownership Plan

During the year the Company established a Joint Share Ownership Plan (JSOP) to provide additional incentives to executive directors.

- Other benefits

The executive directors are entitled to 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 2010 Total	Year ended 31 March 2009 Total
	£	£	£	£	£	£
Angus MacSween	159,490	150,000	1,557	15,949	326,996	321,717
Chris Batterham	30,000	-	-	-	30,000	30,000
Sarah Haran	116,850	105,000	412	11,685	233,947	219,812
Richard Logan	116,850	93,500	1,409	11,685	223,444	232,809
Ian Ritchie	50,000	-	-	-	50,000	50,000
Fred Shedden	30,000	-	-	-	30,000	30,000
	503,190	**348,500**	**3,378**	**39,319**	**894,387**	**884,338**

Directors' interests in shares

The interests of the directors in the shares of the company at 31 March 2010, together with their interests at 1 April 2009 were as follows:

	Number of ordinary shares	
	31 March 2010	**At 1 April 2009**
Name of director		
Angus MacSween	19,686,304	19,686,304
Chris Batterham	90,621	45,621
Sarah Haran	1,224,944	745,704
Richard Logan	135,500	135,500
Ian Ritchie	151,400	107,000
Fred Shedden	764,588	744,588

The shareholdings for Angus MacSween, Sarah Haran and Richard Logan exclude shares held under the Company's Joint Share Ownership Plan (JSOP) which was established during the year, to replace certain share option arrangements, in which the directors are beneficial co-owners of shares. Details of such shareholdings are given overleaf.

Directors' interests in shareholdings of Joint Share Ownership Plan

The interests of the directors in the JSOP shares are as follows:-

Name of director	Award date	Market price at date of award	Participation price	Vesting date	Number of shares	Date from which exerciseable	Expiry date
Angus MacSween	31/03/2010	49.5p	49.5p	Already vested	356,990	31/03/2010	06/10/2018
	31/03/2010	49.5p	78.5p	Already vested	322,612	31/03/2010	17/11/2014
	31/03/2010	49.5p	49.5p	31/03/2011	350,000	31/03/2011	06/10/2018
	31/03/2010	49.5p	49.5p	31/03/2012	450,000	31/03/2012	06/10/2018
					1,479,602		
Sarah Haran	31/03/2010	49.5p	50.5p	Already vested	414,018	31/03/2010	27/09/2017
	31/03/2010	49.5p	78.5p	Already vested	177,867	31/03/2010	17/11/2014
	31/03/2010	49.5p	49.5p	Already vested	357,087	31/03/2010	06/10/2018
	31/03/2010	49.5p	49.5p	31/03/2011	350,000	31/03/2011	06/10/2018
	31/03/2010	49.5p	49.5p	31/03/2012	450,000	31/03/2012	06/10/2018
					1,748,972		
Richard Logan	31/03/2010	49.5p	49.5p	Already vested	221,505	31/03/2010	06/10/2018
	31/03/2010	49.5p	50.5p	Already vested	500,000	31/03/2010	27/09/2017
	31/03/2010	49.5p	49.5p	31/03/2011	350,000	31/03/2011	06/10/2018
	31/03/2010	49.5p	49.5p	31/03/2012	450,000	31/03/2012	06/10/2018
					1,521,505		

The JSOP shares are held jointly between the director and the iomart Group plc Employee Benefit Trust. Under the terms of the JSOP rules the directors are eligible to receive the excess of any disposal proceeds received for the JSOP shares over the participation price. The participation price is subject to a 3% per annum escalation until the JSOP shares are sold. The JSOP shares do not carry dividend or voting rights whilst they are jointly held by the director and the iomart Group plc Employee Benefit Trust. The JSOP shares which vest for Angus MacSween, Sarah Haran and Richard Logan at 31 March 2011 and 2012 are subject to continuous employment criteria.

Under the rules of the scheme should the market price of a vested JSOP share exceed the participation price the director has the option to convert the value of any such excess into a number of wholly owned shares within the JSOP. If a director exercises this right then the wholly owned shares subsequently held within the JSOP by the director shall be eligible for both dividend and voting rights.

Directors' interests in share options

The interests of the directors at 31 March 2010 in options over the ordinary shares of the company were as follows:

Name of director	At 1 April 2009	Exercised	Surrendered	Lapsed	At 31 March 2010	Exercise price	Date of Grant	Date from which exerciseable	Expiry date
Angus MacSween	450,000	-	(322,612)	-	127,388	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	-	(106,990)	-	43,010	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
	1,662,302	-	(1,479,602)	(12,302)	170,398				
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
	250,000	-	(177,867)	-	72,133	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	-	(414,018)	-	85,982	50.5p	27/09/2007	27/09/2010	27/09/2017
	150,000	-	(107,087)	-	42,913	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
	2,434,161	(479,240)	(1,748,972)	(4,921)	201,028				
Richard Logan	50,000	-	-	-	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	-	(221,505)	-	28,495	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
	1,750,000	-	(1,521,505)	-	228,495				

On 19 June 2009, Sarah Haran exercised 479,240 share options under the Company's Unapproved Share Option Scheme at an exercise price of 5.0p. The market price on the date of exercise was 32.0p resulting in a gain on exercise of £129,395. No share options were exercised by directors in the previous year and no new share options were granted to directors during the year. There have been no variations to the terms and conditions or performance criteria for share options during the year.

The market price of the company's shares at the end of the financial period was 49.5p and the range of prices during the period was between 31.0p and 52.5p.

By order of the board

Fred Shedden, Chairman, Remuneration committee
1 June 2010

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 2010.

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. The principal risks and uncertainties faced by the business are described in the Finance Director's Report.

Key performance indicator review

	2010	2009
Revenue	55% increase	45% increase

Revenue from continuing operations grew by 55% over the year compared to a growth of 45% in the previous year. The Hosting segment grew revenues by 139% (2009: 155%) and the Easyspace segment by 2% (2009: 14%).

	2010	2009
Adjusted EBITDA margin	17%	-3%

The adjusted EBITDA margin has shown a substantial improvement as a result of the Hosting segment both continuing to win new business and the inclusion of Rapidswitch which was acquired during the year. Easyspace has also contributed to the adjusted EBITDA margin improvement through operational efficiencies.

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 2010 comprise finance leases totalling £1.3m (2009: £0.2m). The interest rates on the finance leases are fixed for the term of the lease at between 5.0% and 12.2%. 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 27.

Dividend

The directors declared an interim dividend on 22 February 2010, for the year ended 31 March 2010, of 0.4p per share (2009: nil) which was paid on 1 April 2010. The directors do not recommend a final dividend for the year ended 31 March 2010 (2009: 0.3p).

Directors and their interests

The present membership of the board is set out on page 19. In accordance with the company's Articles of Association, Ian Ritchie and Fred Shedden 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 11 to 14.

Substantial shareholdings

At 18 May 2010 the following interests in 3% or more of the issued ordinary share capital, excluding shares held by the iomart Group plc Employee Benefit Trust, had been notified to the company:

Shareholder	Shares	Percentage held
Gartmore Investment Limited	27,401,453	28.02%
Angus MacSween	19,686,304	20.13%
Majedie Asset Management	8,278,001	8.47%
Legal & General Investment Management	4,785,000	4.89%
Universities Superannuation Scheme	4,737,000	4.84%
British Steel Pension Scheme	4,653,000	4.76%
Bill Dobbie	3,361,369	3.44%

Transactions in own shares

At 31 March 2009 the company held 3,294,547 shares in treasury and during the year the company issued 830,660 shares from treasury in respect of the exercise of share options by employees and 2,463,887 shares from treasury to the iomart Group plc Employee Benefit Trust. At 31 March 2010 no shares were held in treasury.

The company also issued 2,513,297 ordinary shares to the iomart Group plc Employee Benefit Trust. Therefore, at 31 March 2010 the iomart Group plc Employee Benefit Trust held 4,977,184 shares (2009: nil) which are accounted for as Own shares.

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 or Joint Share Ownership Plan shares in the company under the Group's share incentive schemes and it is the board's policy to make specific 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 2010 were 23 days (2009: 25 days), and of the company were 4 days (2009: 6 days). This represents the ratio, expressed in days, between the amounts invoiced to the company in the year by its suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year.

Political and charitable donations

The Group did not make any charitable or political donations in either the current or the previous year.

Awareness of relevant audit information

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

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

Website disclaimer

The maintenance and integrity of the iomart Group plc website is the responsibility of the directors. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in the other jurisdictions.

Auditors

Grant Thornton UK LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By order of the board

Bruce Hall, Company secretary
1 June 2010

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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). 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; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

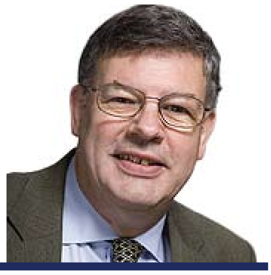
The directors are responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for the Group's system 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.

"Corporate responsibility has long been a part of the Group's values and how we operate. We recognise that our long-term success depends on our ability to develop and offer innovative services that encourage both our clients and our shareholders to invest in us with confidence."

The Easyspace sponsored elephant, 'Cosmos', outside the Royal Exchange. One of 258 individually designed elephants that formed the London Elephant Parade 2010.

Board of Directors

Ian Ritchie
59, appointed 2008; currently Chairman of Computer Application Services Ltd, Caspian Learning Ltd and Interactive Design Institute 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
53, 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
55, 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, DRS plc, The Risk Advisory Group and Betfair Limited. He is also chairman of Eckoh plc. Chris has also served on the boards of Staffware plc, DBS Management plc and The Invesco Techmark Enterprise Trust plc

Sarah Haran
44, 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
52, 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
65, 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.

Independent auditor's report to the members of iomart Group plc

We have audited the Group financial statements of iomart Group Plc for the year ended 31 March 2010 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of iomart Group plc for the year ended 31 March 2010.

Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
1 June 2010

Consolidated Income Statement

Year ended 31March 2010

CONTINUING OPERATIONS	Note	2010 £'000	2009 £'000
Revenue		18,327	11,797
Cost of sales	4	(7,830)	(5,718)
Gross profit		**10,497**	**6,079**
Administrative expenses	4	(10,119)	(7,728)
Operating profit/(loss)		**378**	**(1,649)**
Analysed as:			
Earnings before interest, tax, depreciation, amortisation, share based payments and gain on reduction of deferred consideration		**3,112**	**(318)**
Share based payments	24	(379)	(231)
Depreciation	4	(1,846)	(959)
Amortisation	4	(509)	(141)
Gain on reduction of deferred consideration on business combination	20	1,000	-
Associated costs on gain on reduction of deferred consideration	20	(135)	-
Finance income	6	77	497
Finance costs	6	(66)	(49)
Profit/(loss) before taxation		**1,254**	**(1,201)**
Taxation	8	816	(731)
Profit/(loss) for the year from continuing operations		**2,070**	**(1,932)**
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations		-	516
Profit on disposal of discontinued operations		-	12,598
Net result from discontinued operations		**-**	**13,114**
TOTAL OPERATIONS			
Profit for the year from total operations attributable to equity holders of the parent		**2,070**	**11,182**
Basic and diluted earnings per share			
Continuing operations			
Basic	11	2.12 p	(1.95)p
Diluted	11	2.12 p	(1.95)p
Total operations			
Basic	11	2.12 p	11.27p
Diluted	11	2.12 p	11.17p

Consolidated Statement of Comprehensive Income

Year ended 31March 2010

	2010 £'000	2009 £'000
Profit for the year from total operations	2,070	11,182
Total comprehensive income for the year	2,070	11,182
Attributable to equity holders of the parent	2,070	11,182

Consolidated Balance Sheet

31March 2010

	Note	2010 £'000	2009 £'000
ASSETS			
Non-current assets			
Intangible assets – goodwill	12	20,723	16,550
Intangible assets – other	12	1,008	363
Deferred tax asset	9	604	20
Lease deposit	13	1,216	884
Deferred consideration receivable on disposal	18	-	1,000
Property, plant and equipment	15	12,276	8,672
		35,827	**27,489**
Current assets			
Cash and cash equivalents	17	5,715	13,910
Deferred consideration receivable on disposal	18	914	-
Trade and other receivables	16	2,937	2,184
		9,566	**16,094**
Total assets		**45,393**	**43,583**
LIABILITIES			
Non-current liabilities			
Non-current borrowings	21	(834)	(54)
		(834)	**(54)**
Current liabilities			
Deferred consideration due on acquisition	20	(1,000)	(4,800)
Trade and other payables	19	(7,489)	(5,190)
Current borrowings	21	(480)	(148)
		(8,969)	**(10,138)**
Total liabilities		**(9,803)**	**(10,192)**
Net assets		**35,590**	**33,391**
EQUITY			
Share capital	23	1,028	1,002
Own shares		(2,464)	(678)
Capital redemption reserve		1,200	1,200
Share premium		19,514	17,583
Retained earnings		16,312	14,284
Total equity		**35,590**	**33,391**

These financial statements were approved by the board of directors on 1 June 2010.
Signed on behalf of the board of directors

Angus MacSween
Director and chief executive officer

Consolidated Cash Flow Statement

Year ended 31March 2010

	Note	2010 £'000	2009 £'000
Profit/(loss) before taxation		**1,254**	**(1,201)**
Gain on reduction of deferred consideration - net	20	(865)	-
Finance income - net	6	(11)	(448)
Depreciation	4	1,846	959
Amortisation	4	509	141
Share based payments	24	379	231
Movement in deposits		(332)	-
Movement in trade receivables		(63)	(453)
Movement in trade payables		1,169	1,087
Cash flow from operations		**3,886**	**316**
Taxation paid		(164)	-
Cash generated from discontinued operations		-	463
Net cash flow from operating activities		**3,722**	**779**
Cash flow from investing activities			
Purchase of property, plant and equipment	15	(2,341)	(1,519)
Capitalisation of development costs	12	(281)	(238)
Purchase of intangible assets - software	12	(69)	(10)
Purchase of intangible assets – domain names	12	-	(31)
Payment for acquisition of business	10	(5,458)	-
Repayment of borrowings on acquisition of business	10	(226)	-
Deferred consideration paid on prior period acquisition	20	(2,935)	-
Receipt from disposal of discontinued operation		-	15,235
Net cash acquired with subsidiary undertaking		155	-
Interest received		172	389
Investing activities of discontinued operation		-	(99)
Net cash (used in)/from investing activities		**(10,983)**	**13,727**
Cash flow from financing activities			
Issue of shares	23	41	50
Repayment of finance leases	21	(396)	(210)
Repayment of borrowings	10	(222)	(432)
Purchase of own shares		-	(678)
Interest paid	6	(66)	(49)
Dividends paid	7	(291)	-
Financing activities of discontinued operation		-	(20)
Net cash used in financing activities		**(934)**	**(1,339)**
Net (decrease)/increase in cash and cash equivalents		**(8,195)**	**13,167**
Cash and cash equivalents at the beginning of the year		13,910	743
Cash and cash equivalents at the end of the year	17	**5,715**	**13,910**

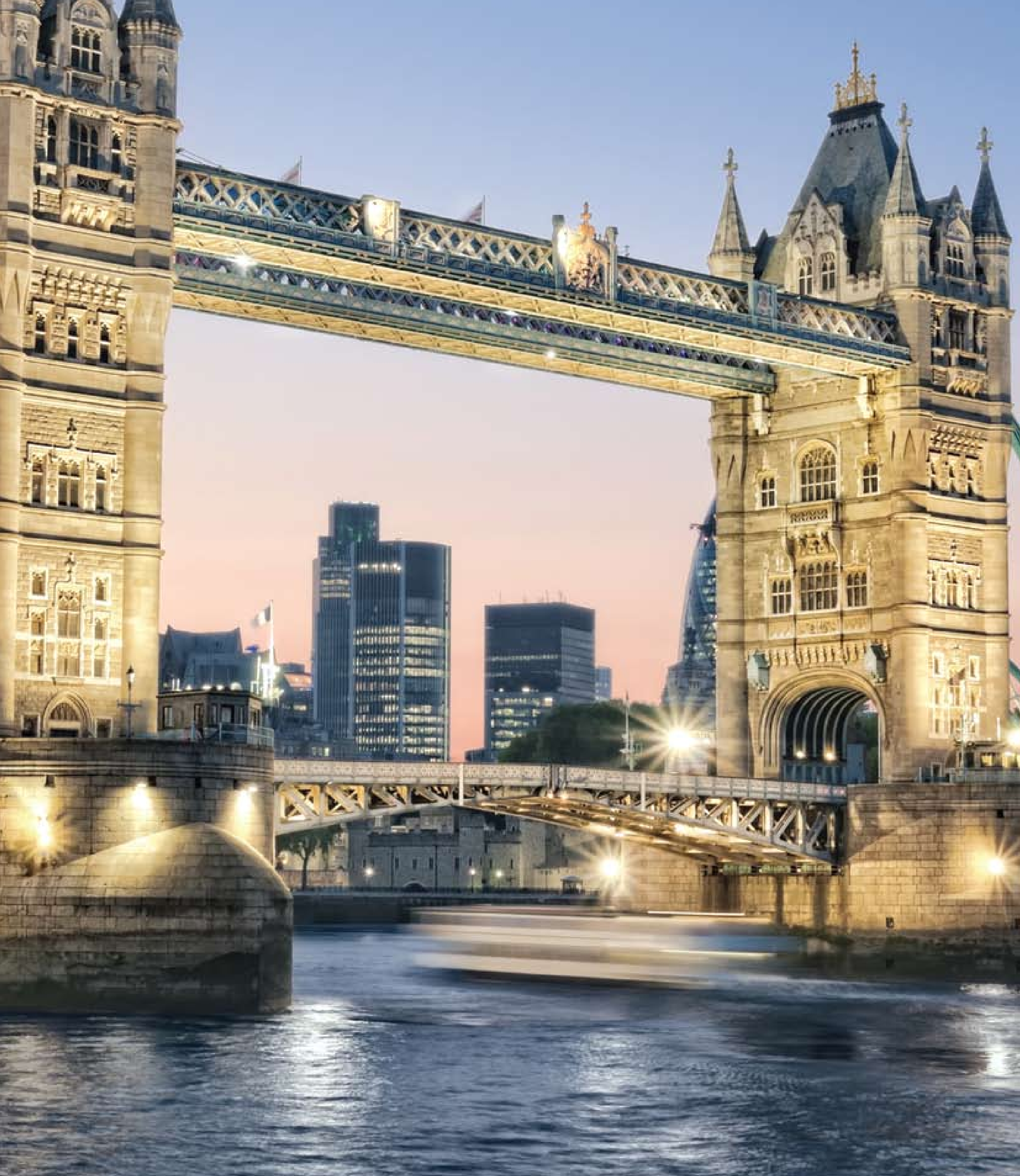
Consolidated Statement of Changes in Equity

Year ended 31March 2010

Changes in equity	Note	Share capital £'000	Own shares JSOP £'000	Own shares treasury £'000	Capital redemption reserve £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2008		**994**	**-**	**-**	**1,200**	**17,541**	**2,946**	**22,681**
Share based payments	24	-	-	-	-	-	231	231
Deferred tax on share based payments		-	-	-	-	-	(75)	(75)
Acquisition of own shares		-	-	(678)	-	-	-	(678)
Issue of shares for option redemption		8	-	-	-	42	-	50
Profit in the period		-	-	-	-	-	11,182	11,182
Balance at 31 March 2009		**1,002**	**-**	**(678)**	**1,200**	**17,583**	**14,284**	**33,391**
Dividends – final (paid)	7	-	-	-	-	-	(291)	(291)
Share based payments	24	-	-	-	-	-	379	379
Issue of own shares for option redemption		-	-	171	-	-	(130)	41
Issue of own shares to Joint Share Ownership Plan		-	-	507	-	712	-	1,219
Issue of new shares to Joint Share Ownership Plan		26	(2,464)	-	-	1,219	-	(1,219)
Profit in the period		-	-	-	-	-	2,070	2,070
Balance at 31 March 2010		**1,028**	**(2,464)**	**-**	**1,200**	**19,514**	**16,312**	**35,590**

"iomart Hosting's central London location data centre gives us a much better power supply, huge amounts of bandwidth, the tightest security and a 100 per cent uptime guarantee that's actually written in to the contract. We now feel a lot more comfortable than we did."

Alex Fagioli, Technical Director of Tectrade



Notes to the Financial Statements

Year ended 31March 2010

1. GENERAL INFORMATION

iomart Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 69 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.

Standards, amendments, and interpretations effective in year

IAS 1 (revised) Presentation of Financial Statements. This does not affect the financial position or profits of the Group but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. The adoption of this standard affects the presentation of owner changes in equity and introduces a 'Statement of Comprehensive Income'.

IFRS 8 Operating Segments. This extends the scope of segmental reporting so that segments are identified by reference to the information reviewed by the Chief Operating Decision Maker. This standard does effect the Group's financial statements and the required disclosure has been included in Note 3 to the financial statements.

In addition the following standards, amendments and interpretations are effective in the year but have no material impact on the Group's financial statements:

- IAS 23 Borrowing Costs.
- IAS 32 (amended February 2008) Financial Instruments: Presentation.
- IAS 39 and IFRIC 9 Financial Instruments: Recognition and Measurement: Eligible Hedged Items.
- IFRS 2 (amendment), Share-based Payment, vesting conditions and cancellations.
- IFRS 7 (amended March 2009) Improving Disclosures about Financial Instruments.
- IFRIC 13 Customer Loyalty Programme.
- IFRIC 15 Agreements for the Construction of Real Estate.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation.

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

IFRS 3 Business Combinations (revised 2008). This continues to apply the acquisition method to business combinations. This standard does not have any impact on the Group's financial statements. The standard is applicable to business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. This standard will be applied to any future acquisitions.

In addition the following new standards and interpretations of existing standards that are not yet effective and have not been adopted early by the Group are not expected to have any impact on the Group's consolidated financial statements:

- IAS 27 Consolidated and Separate Financial Statements (revised 2008).
- IFRIC 17 Distributions of Non-cash Assets to Owners.
- IFRIC 18 Transfers of Assets from Customers.

Summary of Accounting Policies

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.

Basis of consolidation
The Group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 March 2010. 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.

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 shared 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 shared hosting is recognised evenly over the period of the service and once the service has been established. 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 once the service has been established. Any unearned portion of revenue is included in payables as deferred revenue.

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

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

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

during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. The only development costs which are deemed to meet these criteria in the Group are in relation to developments by specific teams to develop products in the 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 (per annum):

Freehold property	3.33%
Leasehold improvements	25%
Computer equipment	Between 20% and 50%
Office equipment	Between 10% and 25%
Datacentre equipment	Between 6% and 10%
Motor vehicle	25%

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 goodwill.

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. Management estimate expected future cash flows from each cash generating unit and determines a suitable interest rate to determine the present value of the future cash flows. Discount factors are determined for each cash generating unit to reflect the underlying risks involved. The future cash flows used in the calculation are based on the Group's latest approved budget.

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.

Income Taxes

The tax expense recognised in the Income Statement comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

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 recognised in other comprehensive income or directly in equity (such as share based remuneration) in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

Financial assets

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

All income and expenses relating to financial assets that are recognised in income statement are presented within 'finance costs', 'finance income' or 'other financial items' except for impairment of trade receivables which is presented within 'other expenses'.

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. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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 costs 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, cancelled or when it expires.

Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction. Any gains or losses arising on assets and liabilities between the date of recording and the date of settlement are treated as gains or losses in the income statement. Forward foreign exchange contracts used to hedge the Group's exposure to foreign currency transactions are fair valued at the balance sheet date and the gain or loss is recognised in the income statement for the period.

Cash and cash equivalents

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

Dividends

Dividend distributions payable to equity shareholders are included in the financial statements within 'other short term financial liabilities' when a final dividend is approved in a general meeting. Interim dividend distributions to equity shareholders approved by the Board are not included in the financial statements until paid. 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 JSOP" represents the amount of the company's own equity shares, plus attributable transaction costs, that is held by the company within the iomart Group plc Employee Benefit Trust in respect of the Joint Share Ownership Plan.
- "Own shares treasury" 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

The Group operates equity-settled and cash-settled share-based remuneration plans for its employees. 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).

Where existing share based incentives are replaced the fair value of the replacement share based incentives is calculated and compared to the current fair value of the replaced share based incentives. Where the fair value of the replaced share based incentives exceeds that of the replacement share based incentives then the share based payment charge to the income statement for the year continues to be based on the original share based incentives.

All share-based remuneration plans are ultimately recognised as an expense in the income statement with a corresponding credit to 'retained earnings'.

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 based incentives 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 based incentives ultimately exercised are different to that estimated on vesting.

Upon exercise of share based incentives the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium. Under the rules of the Joint Share Ownership Plan (JSOP), should the market price of a vested JSOP share exceed the participation price the employee has the option to convert the value of any such excess into a number of wholly owned shares within the JSOP. The JSOP scheme can therefore be either equity-settled or cash-settled at the option of the employee.

Discontinued operations

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented as a single amount in the Income Statement. A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and:

- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The Group disposed of its Ufindus operation in the prior year and consequently, Ufindus has been treated as a discontinued operation within these financial statements. The Ufindus operation has been shown as discontinued within the segmental analysis at note 3. The disclosures for discontinued operations in the prior year relate to operations that have been discontinued by the reporting date.

Segmental reporting

The Group provides segmental reporting on a basis consistent with the provision of internal financial information used for decision making purposed by the Chief Operating Decision Maker. Internal reports are produced on a basis consistent with the accounting policies adopted in Group's financial statements.

The Group calculates geographical information on the basis of the location of the customer.

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.

Valuation of intangible assets and fair value adjustments on acquisition

Note 10 summarises the fair value adjustments that were made in relation to the acquisition of Rapidswitch Limited. Within these adjustments consideration has been given to the valuation of intangible assets including customer relationships and brand.

Recoverability of deferred consideration on disposal of subsidiary

Part of the consideration due to be received in relation to the disposal of Ufindus Limited was deferred and placed into escrow against warranty claims. Under the terms of the agreement relating to the disposal the Group gave standard warranties to the purchaser. An assumption has been made that no further warranty claim will reduce the remaining amount outstanding.

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

The chief operating decision-maker has been identified as the Chief Executive Officer ("CEO") of the Company. The CEO reviews the Group's internal reporting in order to assess performance and to allocate resources. The Company has determined its operating segments based on these reports.

The Group currently has two reportable segments.

- Easyspace – this segment provides a range of share hosting and domain registration services to micro and SME companies.

- Hosting – this segment provides managed hosting facilities and services, through a network of owned datacentres, to the larger SME and corporate markets. The segment uses several routes to market and provides managed hosting services through iomart Hosting, Rapidswitch and Netintelligence. Rapidswitch Limited was acquired in the early part of the year and was fully integrated into the Hosting segment during the year.

Information regarding the operation of the reportable segments is included below. The CEO assesses the performance of the operating segments based on revenue and a measure of Earnings before Interest, Depreciation and Amortisation (EBITDA) before any allocation of Group overheads or charges for share based payments. Segment EBITDA is used to measure performance as the CEO believes that such information is the most relevant in evaluating the results of the segment.

The Group's EBITDA for the year has been calculated after deducting Group overheads from the EBITDA of the two segments as reported internally. In previous years certain Group overheads were allocated at the year end to segments for segmental reporting purposes. Consequently prior year comparative figures have been presented on a basis consistent with the current year with no allocation of Group overheads. Whilst this means that the level of Group overheads reported in the segmental analysis comparative figures has increased from that reported last year likewise the level of EBITDA profitability of the two segments has also increased by the same amount and the overall Group EBITDA profitability has been unaffected. The Group overheads include the cost of the Board, all the costs of running the premises in Glasgow, the Group marketing, human resource, finance and design functions and legal and professional fees.

3. SEGMENTAL ANALYSIS (CONTINUED)

The segment information is prepared using accounting policies consistent with those of the Group as a whole.

The assets and liabilities of the Group are not reviewed by the chief operating decision-maker on a segment basis. Therefore none of the Group's assets and liabilities are segmental assets and liabilities and are all unallocated for segmental disclosure purposes. The Group has adopted early the amendment to IFRS 8 Operating Segments as detailed in the 'Improvements to IFRS' issued in April 2009. This amendment states that if segmental assets and liabilities are not presented to the Chief Operating Decision Maker then the Group need not disclose these in the financial statements. On this basis the Group has not disclosed details of segmental assets and liabilities.

All segments are continuing operations. No customer accounts for more than 10% of external revenues. Inter-segment transactions are accounted for using an arms-length commercial basis.

Operating Segments
Revenue by Operating Segment

	2010			2009		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
Easyspace	7,363	-	7,363	7,224	-	7,224
Hosting	10,964	717	11,681	4,573	572	5,145
Continuing operations	18,327	717	19,044	11,797	572	12,369
Discontinued operations	-	-	-	3,321	-	3,321
	18,327	717	19,044	15,118	572	15,690

Geographical Information

In presenting the consolidated information on a geographical basis, revenue is based on the geographical location of customers. The United Kingdom is the place of domicile of the parent company, iomart Group plc. All of the Group's revenue originates from the United Kingdom. No individual country other than the United Kingdom contributes a material amount of revenue therefore revenue from outside the United Kingdom has been shown as from Rest of the World.

Analysis of Revenue by Destination

	2010 £'000	2009 £'000
United Kingdom	17,142	11,173
Rest of the World	1,185	624
Revenue from continuing operations	**18,327**	**11,797**

Profit by Operating Segment

	2010			2009		
	EBITDA before Share based payments £'000	Share based payments depreciation & amortisation £'000	Operating profit/(loss) £'000	EBITDA before Share based payments £'000	Share based payments depreciation & amortisation £'000	Operating profit/(loss) £'000
Easyspace	2,579	(35)	2,544	2,203	(38)	2,165
Hosting	2,763	(2,320)	443	(242)	(1,062)	(1,304)
Group overheads	(2,230)	-	(2,230)	(2,279)	-	(2,279)
Share based payments	-	(379)	(379)	-	(231)	(231)
	3,112	(2,734)	378	(318)	(1,331)	(1,649)
Net gain on business combination			865			-
Group interest and tax			827			(283)
Total continuing	**3,112**	**(2,734)**	**2,070**	**(318)**	**(1,331)**	**(1,932)**
Gain on disposal	-	-	-	12,598	-	12,598
Discontinued operations	-	-	-	615	(99)	516
Profit for the year	**3,112**	**(2,734)**	**2,070**	**12,895**	**(1,430)**	**11,182**

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

4. OPERATING PROFIT/(LOSS)

The profit for the year from total operations is stated after charging the following operating costs:

	2010 £'000	2009 £'000
Staff costs excluding development costs capitalised and research and development costs written off the income statement	6,216	9,808
Depreciation of property plant and equipment		
- Owned assets (2009: continuing operations: £787,000; discontinued operations: £34,000)	1,498	821
- Leased assets	348	172
Property, plant and equipment hire		
- Land and buildings	1,299	1,078
- Plant and machinery	242	57
Amortisation of intangible assets (2009: continuing operations: £141,000; discontinued operations: £66,000)	509	207
R&D expensed to income statement	162	56
Marketing and sales	604	955
Infrastructure	337	188
Provision for doubtful debts	57	56
Premises and office	3,778	2,640

Included within other expenses are fees paid to the Group's auditors, an analysis of which is provided below:

Auditors' remuneration	**2010** **£'000**	**2009** **£'000**
- Fees payable for the audit of the consolidation and the parent company accounts	22	21
- Fees payable for audit of subsidiaries, pursuant to legislation	23	19
- Tax compliance fees	14	12
- Corporate finance and advisory transactions	27	22
	86	**74**

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2010 £'000	2009 £'000
Directors' emoluments		
Aggregate emoluments	855	849
Pension contributions to personal money purchase schemes	39	35
Share based payments	243	192
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	311	307
Pension contributions to personal money purchase schemes	16	15

During the year the company made personal pension contributions to the personal pension schemes of 3 directors (2009: 3).
The aggregate amount of gains realised by directors on the exercise of share options during the year was £129,395 (2009: £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 11 to 14.

	No.	No.
Average number of persons employed by the Group (including directors):		
Technical	66	51
Customer services	22	32
Sales and marketing	33	86
Administration	24	35
	145	**204**
Number of persons employed by the Group at the year end		
Technical	65	48
Customer services	19	23
Sales and marketing	32	28
Administration	22	26
	138	**125**

	2010 £'000	2009 £'000
Staff costs of the Group during the year in respect of employees and directors were:		
Wages and salaries	5,688	8,887
Social security costs	536	1,008
Other pension costs	56	56
Share based payments	379	231
	6,659	**10,182**

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 11 to 14. 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. The comparative figure for 2009 for staff costs during the year includes £5,145,000 relating to discontinued operations.

6. NET FINANCE COST

	2010 £'000	2009 £'000
Finance income:		
Bank interest receivable	77	497
	77	**497**
Finance expenses:		
Bank overdraft and other borrowings	-	(26)
Finance leases	(66)	(23)
	(66)	**(49)**
Net finance cost		
	11	**448**

7. DIVIDENDS ON SHARES CLASSED AS EQUITY

	2010 Pence per share	2010 £'000	2009 Pence per share	2009 £'000
Paid during the year:				
Final dividend – for prior year				
Equity dividends on ordinary shares	0.3p	291	-	-
		291		-

The directors declared an interim dividend on 22 February 2010, for the year ended 31 March 2010, of 0.4p per share (2009: nil) which was paid after the balance sheet date.

8. TAXATION

	2010 £'000	2009 £'000
Tax charge for the year	(12)	-
Adjustment relating to prior year	20	-
Deferred tax credit/(charge)	808	(731)
Taxation	**816**	**(731)**

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

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 before tax is as follows:

	2010 £'000	2009 £'000
Profit before tax	1,254	11,913
Tax charge @ 28% (2009 – 28%)	351	3,336
Expenses disallowed for tax purposes	23	25
Adjustments in respect of prior periods	(20)	-
Effect of research and development tax reliefs	(44)	(36)
Tax effect of share based remuneration	50	24
Non-taxable gain on reduction of deferred consideration on business combination	(242)	-
Effect of intangible asset tax reliefs	(24)	-
Movement in unprovided deferred tax related to fixed assets	(99)	(12)
Movement in unprovided deferred tax related to other timing differences	(8)	5
Gain on disposal of subsidiary undertaking not subject to corporation tax	-	(3,527)
Non-taxable income on discontinued operations	-	(77)
Movement in unprovided deferred tax related to loses	-	199
(Increase)/reduction in tax losses recognised	(803)	794
Taxation (credit)/charge for the year	**(816)**	**731**

The weighted average applicable tax rate for the year ended 31 March 2010 was 28% (2009: 28%).

9. DEFERRED TAX

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

	2010		2009	
	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000
Tax losses carried forward	2,187	2,427	1,590	3,270
Share based remuneration	72	-	79	-
Deferred tax on acquired assets with no capital allowances	(1,504)	-	(1,649)	-
Deferred tax on customer relationships	(151)	-	-	-
Deferred tax	**604**	**2,427**	**20**	**3,270**

At the balance sheet date, the Group has unused tax losses of £16.5m (2009: £17.4m) available for offset against future profits. A deferred tax asset has been recognised in respect of £7.8m (2009: £5.7m) of such losses. No deferred tax asset has been recognised in respect of the remaining £8.7m (2009: £11.7m) since it is unlikely that these losses will be used in the foreseeable future.

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	Customer relationships £'000	Total £'000
Opening balance	1,590	79	(1,649)	-	20
Acquired on acquisition of subsidiary	-	-	-	(224)	(224)
Credited/(charged) to income statement	597	(7)	145	73	808
Closing balance	**2,187**	**72**	**(1,504)**	**(151)**	**604**

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.

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.

The deferred tax on customer relationships arises from the intangible asset recognised on the acquisition of Rapidswitch Limited on 11 May 2010 which is being amortised over an estimated useful life of 5 years and on which there are no capital allowances or other tax deductions available.

10. ACQUISITION

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

	Book value £'000	Fair value adjustments £'000	Final Fair value £'000
Intangible assets	51	753	804
Property, plant and equipment	2,226	-	2,226
Trade and other receivables	785	-	785
Cash and cash equivalents	155	-	155
Trade and other payables	(1,526)	(62)	(1,588)
Deferred taxation	-	(224)	(224)
Other loans	(226)	-	(226)
Finance leases	(425)	-	(425)
Bank loan	(222)	-	(222)
Net assets	**818**	**467**	**1,285**
Goodwill			4,173
Total consideration			**5,458**
Satisfied by:			
Cash			**5,458**
Net cash outflow arising on acquisition			
Cash consideration			5,458
Cash and cash equivalents acquired			(155)
			5,303

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

Fair value adjustments resulting in a net increase in net assets of £467,000 were made on acquisition. The goodwill of £47,000 within the company was written off, a provision of £58,000 was made for contracted lease payments for datacentre space in excess of the company's ongoing requirements and £4,000 was provided for a pre-acquisition trade creditor. An intangible asset in respect of existing customer relationships has been recognised at its fair value of £800,000 with a related deferred tax liability of £224,000. The £4,000 adjustment for the pre-acquisition trade creditor is the only difference between the provisional fair value and the final fair value.

To estimate the fair value of the customer relationships, a discounted cash flow method, specifically the income approach, was used with reference to the directors' estimates of the level of revenue which will be generated from them. A post-tax discount rate of 12% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 5 years.

Rapidswitch acquires new customers by maintaining its position on internet search engines and as a consequence no value has been attributed to the brand name.

As part of the investment agreement, other loans owed by Rapidswitch Limited of £226,000 were repaid on the date of acquisition.

The Rapidswitch business contributed £4,694,000 of revenue and £994,000 of profit before tax to the Group for the period between the acquisition date and the balance sheet date.

If the acquisition of the Rapidswitch business had been completed on the first day of the financial period, it would have contributed £5,235,000 of revenue and £1,059,000 of profit before tax to the Group.

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 own shares (treasury and JSOP). 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	**2010**	**2009**
	£'000	**£'000**
Profit/(loss) from continuing operations for the financial year and basic earnings attributed to ordinary shareholders	2,070	(1,932)
	No	**No**
	000	**000**
Weighted average number of ordinary shares:		
For basic earnings per share	97,577	99,183
Exercise of share options	230	-
For diluted earnings per share	97,807	99,183
Basic earnings per share	2.12 p	(1.95)p
Fully diluted earnings per share	2.12 p	(1.95)p

Discontinued operations	**2010**	**2009**
	£'000	**£'000**
Profit from discontinued operations for the financial year and basic earnings attributed to ordinary shareholders	-	516
Profit on disposal of discontinued operations	-	12,598
Total profit from discontinued operations	**-**	**13,114**
	No	**No**
	000	**000**
Weighted average number of ordinary shares:		
For basic earnings per share	-	99,183
Exercise of share options	-	902
For diluted earnings per share	**-**	**100,085**
Basic earnings per share	- p	13.22p
Fully diluted earnings per share	- p	13.10p

Total operations	**2010**	**2009**
	£'000	**£'000**
Profit for the financial year and basic earnings attributed to ordinary shareholders	2,070	11,182
	No	**No**
	000	**000**
Weighted average number of ordinary shares:		
For basic earnings per share	97,577	99,183
Exercise of share options	230	902
For diluted earnings per share	**97,807**	**100,085**
Basic earnings per share	2.12 p	11.27p
Fully diluted earnings per share	2.12 p	11.17p

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

12. INTANGIBLE ASSETS

	Goodwill £'000	Development costs £'000	Customer relationships £'000	Software £'000	Domain names £'000	Total £'000
Cost						
At 1 April 2008	18,525	1,028	-	276	-	19,829
Additions	-	-	-	22	31	53
Development cost capitalised	-	318	-	-	-	318
Derecognised on disposal of subsidiary	(1,975)	(867)	-	(77)	-	(2,919)
At 1 April 2009	**16,550**	**479**	**-**	**221**	**31**	**17,281**
Additions	4,173	-	-	69	-	4,242
Acquired on acquisition of subsidiary	-	-	800	4	-	804
Development cost capitalised	-	281	-	-	-	281
At 31 March 2010	**20,723**	**760**	**800**	**294**	**31**	**22,608**
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 1 April 2009	**-**	**(169)**	**-**	**(199)**	**-**	**(368)**
Charge for the year	-	(209)	(261)	(30)	(9)	(509)
At 31 March 2010	**-**	**(378)**	**(261)**	**(229)**	**(9)**	**(877)**
Carrying amount:						
At 31 March 2010	**20,723**	**382**	**539**	**65**	**22**	**21,731**
At 31 March 2009	16,550	310	-	22	31	16,913

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 (2009: nil) arose as a result of this review. For this review goodwill was allocated to individual Cash Generating Units (CGU) on the basis of the Group's operations. The carrying value of goodwill by each CGU is as follows:

Cash Generating Units (CGU)	**2010 £'000**	**2009 £'000**
Easyspace	12,314	12,314
Rapidswitch	4,173	-
Hosting	4,236	4,236
	20,723	16,550

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.

12. INTANGIBLE ASSETS (CONTINUED)

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:

	Easyspace	Rapidswitch	Hosting
Discount rate	9%	12%	12%
Future perpetuity rate	2.5%	2.5%	2.5%
Forecast period for which cash flows are estimated (years)	5	5	5

Based on an analysis of the impairment calculation's sensitivities to changes in key parameters (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 £1,216,000 (2009: £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 and therefore it has not been discounted.

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	Managed hosting services	100	-
iomart Virtual Servers Hosting Limited	Scotland	Dormant	100	-
Easyspace Datacentres (UK) Limited	Scotland	Dormant	100	-
Easyspace Limited	England	Webservices	100	-
Rapidswitch Limited	England	Managed hosting services	100	-
Ezee DSL Limited	England	Datacentre services	100 *	-
Internetters Limited	England	Webservices	-	100
NicNames Limited	England	Dormant	-	100
Web Genie Internet Limited	England	Webservices	-	100

* as described in Note 20, the single share in Ezee DSL Limited, representing 0.2% of its issued share capital, has been transferred to iomart Group plc through the completion of a signed stock transfer form that has been placed in escrow until the final payment of deferred consideration is made on 27 August 2010. Until the final payment is made, under the terms of the agreement, the vendor has undertaken to vote and otherwise exercise any and all rights in respect of the single share as directed by iomart Group plc. Furthermore, the vendor has undertaken to waive any and all dividends or other distributions made or declared in respect of the single share.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Property £'000	Leasehold improve-ments £'000	Datacentre Equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:							
At 1 April 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 1 April 2009	**837**	**360**	**7,584**	**1,869**	**677**	**-**	**11,327**
Additions in the year	-	480	645	2,088	12	-	3,225
Acquisition of subsidiary	-	1,299	166	727	21	14	2,227
Disposals in the year	-	-	-	-	-	(7)	(7)
At 31 March 2010	**837**	**2,139**	**8,395**	**4,684**	**710**	**7**	**16,772**
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)**
Charge for the year	(8)	(112)	(652)	(1,029)	(40)	(5)	(1,846)
Disposals in the year	-	-	-	-	-	5	5
At 31 March 2010	**(20)**	**(458)**	**(1,329)**	**(2,275)**	**(414)**	**-**	**(4,496)**
Carrying amount:							
At 31 March 2010	**817**	**1,681**	**7,066**	**2,409**	**296**	**7**	**12,276**
At 31 March 2009	825	14	6,907	623	303	-	8,672

The net book value of computer equipment held under finance lease at 31 March 2010 was £1,204,000 (2009: £91,000).

16. TRADE AND OTHER RECEIVABLES

	2010 £'000	2009 £'000
Trade receivables	1,382	764
Less: Provision for impairment	(124)	(67)
Trade receivables (net)	**1,258**	**697**
Other receivables	191	233
Prepayments and accrued income	1,488	1,254
Trade and other receivables	**2,937**	**2,184**

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.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

To consider the total exposure to credit risks, the Group uses figures net of VAT. At 31 March 2010, £862,000 (2009: £317,000) of net trade receivables were fully performing. Net trade receivables of £396,000 (2009: £380,000) 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.

	2010 £'000	2009 £'000
Up to 3 months	337	278
Over 3 months but less than 6 months	55	59
Over 6 months but less than 1 year	4	43
Total unimpaired trade receivables which are past due	**396**	**380**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2010 £'000	2009 £'000
Balance at start of the year	67	1,608
Provision for receivables impairment	57	56
Eliminated on disposal of business	-	(1,597)
Balance at end of year	124	67

17. CASH AND CASH EQUIVALENTS

	2010 £'000	2009 £'000
Cash at bank and on hand	5,715	13,910
Cash and cash equivalents	**5,715**	**13,910**

The credit risk on cash and cash equivalents is considered to be negligible because the counter parties are UK banking institutions.

18. DEFERRED CONSIDERATION RECEIVABLE ON DISPOSAL

	2010 £'000	2009 £'000
Deferred consideration receivable on disposal: non-current	-	(1,000)
Deferred consideration receivable on disposal: current	(914)	-
Total deferred consideration receivable on disposal	**(914)**	**(1,000)**

The deferred consideration is due to be received in July 2010 in respect of the disposal of Ufindus Limited in July 2008. The amount to be received has reduced over the year due to sums paid out in respect of a claim under the sale and purchase agreement.

19. TRADE AND OTHER PAYABLES

	2010 £'000	2009 £'000
Trade payables	(1,044)	(746)
Corporation tax	(12)	-
Other taxation and social security	(915)	(476)
Accruals	(2,399)	(1,923)
Deferred income	(3,119)	(2,045)
Trade and other payables	**(7,489)**	**(5,190)**

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.

20. DEFERRED CONSIDERATION

	2010 £'000	2009 £'000
Deferred consideration due on acquisition	(1,000)	(4,800)
Total deferred consideration due on acquisition	**(1,000)**	**(4,800)**

During the year the original deferred consideration due of £4,800,000 on the acquisition of Ezee DSL Limited was subject to a renegotiation with the vendor. As a result of that the total amount due was reduced to £3,800,000 and the Group returned certain assets to the vendor which had been fair valued to nil in the balance sheet at the time of the acquisition. The reduction in deferred consideration of £1,000,000 has been treated as a gain on reduction of deferred consideration on business combination in the income statement. Costs of £135,000 were incurred in respect of the renegotiation with the vendor. These costs have also been shown separately in the income statement.

Of the total revised deferred consideration of £3,800,000, £2,800,000 was paid together with £135,000 of associated costs during the year and the remaining balance of £1,000,000 is due to be paid on 27 August 2010. As part of the settlement with the vendor, the single share in Ezee DSL Limited, representing 0.2% of its issued share capital, which had been held by the vendor, was transferred to iomart Group plc, through the completion of a signed stock transfer form which has been placed in escrow and will be released on payment of the remaining balance. The vendor has undertaken to vote and otherwise exercise any and all rights in respect of the single share as directed by iomart Group plc and to waive any and all dividends or other distributions made or declared in respect of the single share whilst it is held in escrow.

21. BORROWINGS

	2010 £'000	2009 £'000
Current:		
Obligations under finance leases	(480)	(148)
Current borrowings	**(480)**	**(148)**
Non-current:		
Obligations under finance leases	(834)	(54)
Total non-current borrowings	**(834)**	**(54)**
Total borrowings	**(1,314)**	**(202)**

The carrying amount of borrowings approximates to their fair value.

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

	2010			2009		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	54	1	55	54	1	55
Due between one and five years	1,260	149	1,409	148	9	157
	1,314	**150**	**1,464**	**202**	**10**	**212**

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 6.1% (2009: 7.1%). Lease payments are made on a monthly basis. The future lease obligation of £1,464,000 (2009: £212,000) has present value of £1,367,000 (2009: £198,000).

22. OPERATING LEASES

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

	2010		2009	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	1,280	240	1,078	57
Within two to five years	4,972	347	4,311	91
After five years	5,228	387	5,944	-
	11,480	**974**	**11,333**	**148**

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.

23. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2008, 2009, and 2010	**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**
Issued to Employee Benefit Trust	2,513,297	26
At 31 March 2010	**102,752,599**	**1,028**

During the year the company issued 2,513,297 ordinary shares of 1p each to the iomart Group plc Employee Benefit Trust in relation to the Joint Share Ownership Plan ("JSOP") (2009: nil), for which a net total of £1,244,000 was received. In the previous year, the company issued 800,000 ordinary shares of 1p each in respect of the exercise of share options by employees for which a net total of £50,000 was received

At 31 March 2009 the company held 3,294,547 shares in treasury, which were accounted for in the Own Shares reserve and had a nominal value of £32,945 and a market value of £1,070,728. This represented 3.4% of the issued share capital as at 31 March 2009 excluding treasury shares. During the year the company issued 830,660 shares from treasury, with a nominal value of £8,307, in respect of the exercise of share options, for which a net total of £41,533 was received, by employees and 2,463,887 shares from treasury to the iomart Group plc Employee Benefit Trust in relation to the JSOP. At 31 March 2010 no shares were held in treasury.

Due to the issue of new ordinary shares and the issue of shares held in treasury at 31 March 2010 the company held 4,977,184 shares (2009: nil) in the iomart Group plc Employee Benefit Trust in relation to the JSOP which are accounted for in the Own Shares JSOP reserve and have a nominal value of £49,772 (2009: £nil).

During the year the company set up a Joint Share Ownership Plan ("JSOP") to provide incentives to directors and employees. At 31 March 2010, 4,977,184 shares were held in the JSOP all with an initial participation price of 49.5p, which was the mid-market value of the shares at the start of trading on the day they were issued, resulting in a total market value in the Own Shares JSOP reserve of £2,463,706.

The JSOP shares are held jointly between employees and the iomart Group plc Employee Benefit Trust. Under the terms of the JSOP rules employees are eligible to receive the excess of any disposal proceeds received for the JSOP shares over the participation price. The participation price is subject to a 3% per annum escalation until the JSOP shares are sold. The JSOP shares do not carry dividend or voting rights whilst they are jointly held by the employee and the iomart Group plc Employee Benefit Trust.

Under the rules of the scheme should the market price of a vested JSOP share exceed the participation price the employee has the option to convert the value of any such excess value into a number of wholly owned shares within the JSOP. If an employee exercises this right then the wholly owned shares subsequently held within the JSOP by the employee shall be eligible for both dividend and voting rights.
The share capital of iomart Group plc consists of ordinary shares with a par value of 1p. All shares, excluding the shares held by the iomart Group plc Employee Benefit Trust and in the prior year the 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 2010 are fully paid.

24. SHARE BASED PAYMENTS

The Group operated the following share based payment employee share option schemes during the year; Enterprise Management Incentive scheme, a number of other approved schemes and a number of unapproved schemes. All schemes are settled in equity only, except for the Joint Share Ownership Plan, which may be settled in either equity or cash, 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	None	No
Other approved schemes	Between 1 and 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
Joint Share Ownership Plan	Up to 3 years from grant	10 years after date of grant	As set by Remuneration Committee	Yes

The exercise period on the Sharesave Scheme ended on 1 September 2009 with no share options being exercised and this scheme has not been replaced. 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 830,660 ordinary shares (2009: 800,000) were exercised and the market price at the exercise date was 32.0p (2009: 46.5p). As described in Note 23, on 31 March 2010, a total of 4,977,184 share options were surrendered and an equivalent number of shares issued to a Joint Share Ownership Plan to provide incentives to directors and employees. These have been accounted for as replacement share based incentives. As the fair value of the original share based incentives exceeds the fair value of the replacement share based incentives the share based payment charge recognised in the income statement in relation to these share based incentives continues to be based on the original share options.

As disclosed in note 5, a share based payment charge of £379,000 (2009: £231,000) 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		**11-May-09**			**09-Dec-09**
Vesting date	**31-Mar-10**	**31-Mar-11**	**31-Mar-12**	**31-Mar-13**	**31-Mar-13**
Variables used					
Share price at grant date	37.0p	37.0p	37.0p	37.0p	44.5p
Volatility	55%	55%	55%	55%	61%
Dividend yield	1.0%	1.0%	1.0%	1.0%	1.0%
Number of employees holding options/units	2	2	2	2	1
Option/award life (years)	10	10	10	10	10
Expected life (years)	0.9	1.9	2.9	3.9	3.3
Risk free rate	2.69%	2.69%	2.69%	2.69%	2.64%
Expectations of meeting performance criteria	100%	100%	100%	100%	100%
Fair value	**7.73p**	**11.11p**	**13.51p**	**15.37p**	**18.73p**
Exercise price per share	37.0p	37.0p	37.0p	37.0p	44.5p

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.

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:

24. SHARE BASED PAYMENTS (CONTINUED)

As at 31 March 2010										
Details				Options for shares outstanding						Vested options for shares not yet exercisable
Exercise price	Grant date	Exercise date	Expiry date	31 March 2009	Issued	Surrendered	Exercised	Expired	31 March 2010	31 March 2010
Enterprise management incentive scheme										
6.25	02/07/2003	02/07/2004	02/07/2013	44,581	-	-	-	-	44,581	44,581
6.25	02/07/2003	02/07/2005	02/07/2013	47,916	-	-	-	-	47,916	47,916
6.25	02/07/2003	02/07/2006	02/07/2013	47,920	-	-	-	-	47,920	47,920
78.50	17/11/2004	17/11/2007	17/11/2014	224,521	-	-	-	-	224,521	224,521
74.00	24/08/2006	24/08/2009	24/08/2016	50,000	-	-	-	-	50,000	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	150,000	-	-	-	-	150,000	150,000
43.50	20/12/2007	20/06/2008	20/12/2017	160,000	-	-	-	-	160,000	160,000
43.50	20/12/2007	20/12/2008	20/12/2017	160,000	-	-	-	-	160,000	160,000
43.50	20/12/2007	20/06/2009	20/12/2017	160,000	-	-	-	-	160,000	160,000
43.50	20/12/2007	20/12/2009	20/12/2017	99,655	-	-	-	-	99,655	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	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	28,495
26.50	05/02/2009	05/02/2012	05/02/2019	100,000	-	-	-	-	100,000	-
37.00	11/05/2009	31/03/2010	11/05/2019	-	250,000	-	-	-	250,000	250,000
37.00	11/05/2009	31/03/2011	11/05/2019	-	124,324	-	-	-	124,324	-
37.00	11/05/2009	31/03/2012	11/05/2019	-	25,000	-	-	-	25,000	-
37.00	11/05/2009	31/03/2013	11/05/2019	-	25,000	-	-	-	25,000	-
44.50	09/12/2009	31/03/2013	09/12/2019	-	200,000	-	-	-	200,000	-
Savings related scheme										
76.00	01/03/2006	01/03/2009	01/09/2009	41,579	-	-	-	(41,579)	-	-
Unapproved schemes										
5.00	29/03/2000	11/05/2000	29/03/2010	276,886	-	-	(276,886)	-	-	-
5.00	29/03/2000	11/02/2001	29/03/2010	276,887	-	-	(276,887)	-	-	-
5.00	29/03/2000	11/02/2002	29/03/2010	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	500,479	-	(500,479)	-	-	-	-
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	60,345	-	(20,115)	-	-	40,230	40,230
43.50	20/12/2007	20/06/2010	20/12/2017	150,000	-	(50,000)	-	-	100,000	-
46.50	29/09/2008	31/03/2009	29/09/2018	104,304	-	(23,657)	-	-	80,647	80,647
46.50	29/09/2008	31/03/2010	29/09/2018	233,334	-	(66,667)	-	-	166,667	166,667
46.50	29/09/2008	31/03/2011	29/09/2018	238,708	-	(66,666)	-	-	172,042	-
46.50	06/10/2008	31/03/2009	06/10/2018	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	12,000
37.00	11/05/2009	31/03/2011	11/05/2019	-	125,676	-	-	-	125,676	-
37.00	11/05/2009	31/03/2012	11/05/2019	-	225,000	-	-	-	225,000	-
37.00	11/05/2009	31/03/2013	11/05/2019	-	225,000	-	-	-	225,000	-
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				**8,916,045**	**1,200,000**	**(4,977,184)**	**(830,660)**	**(41,579)**	**4,266,622**	**2,637,311**
Weighted Average Exercise price				**44.45p**	**38.25p**	**50.41p**	**5.00p**	**76.00p**	**43.14p**	**44.66p**

24. SHARE BASED PAYMENTS (CONTINUED)

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	Surrenderd	Exercised	Expired	31 March 2009	31 March 2009
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

24. 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 JSOP scheme are as follows:

As at 31 March 2010										
Details				Options for shares outstanding						Vested options for shares not yet exercisable
Exercise price	Grant date	Exercise date	Expiry date	31 March 2009	Issued	Surrenderd	Exercised	Expired	31 March 2010	31 March 2010
Joint Share Ownership Plan										
49.50	31/03/2010	31/03/2010	06/10/2018	-	935,582	-	-	-	935,582	935,582
49.50	31/03/2010	31/03/2011	06/10/2018		1,050,000	-	-	-	1,050,000	-
49.50	31/03/2010	31/03/2012	06/10/2018	-	1,350,000	-	-	-	1,350,000	-
50.50	31/03/2010	31/03/2010	27/09/2017	-	914,018	-	-	-	914,018	914,018
78.50	31/03/2010	31/03/2010	17/11/2014	-	500,479	-	-	-	500,479	500,479
49.50	31/03/2010	31/03/2010	20/12/2017	-	20,115	-	-	-	20,115	20,115
49.50	31/03/2010	20/06/2010	20/12/2017	-	50,000	-	-	-	50,000	-
49.50	31/03/2010	31/03/2010	29/09/2018	-	90,324	-	-	-	90,324	90,324
49.50	31/03/2010	31/03/2011	29/09/2018	-	66,666	-	-	-	66,666	-
Total					**4,977,184**	**-**	**-**	**-**	**4,977,184**	**2,460,518**
Weighted Average Exercise price					**52.60p**	**n/a**	**n/a**	**n/a**	**52.60p**	**55.77p**

25. 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.

26. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

The Group is a party to certain operating lease agreements for properties which have been converted into datacentres. These operating leases impose a liability on the Group, at the request of the lessor, to reinstate the properties to the condition they were in before conversion to datacentres. All of these properties are on long term leases and these leases may be extended. Consequently the Directors believe that the likelihood of these liabilities crystalising is remote. There were no other contingent assets or liabilities as at 31 March 2010 (2009: nil).

(b) Commitments

Capital expenditure on property, plant and equipment committed by the Group at 31 March 2010 was £249,000 (2009: £261,000).

27. 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.

The carrying amounts of financial assets presented in the consolidated balance sheet relate to the following measurement categories as defined in IAS 39:

	Loans and receivables £'000	Designated at fair value through profit or loss £'000	Total for line item £'000
2010			
Non-current:			
Lease deposit	1,216	-	1,216
Current:			
Deferred consideration on disposal of subsidiary	914	-	914
Trade receivables	1,258	-	1,258
Cash and cash equivalents	5,715	-	5,715
Other receivables	172	-	172
Forward foreign exchange contracts	-	19	19
Total for category	**9,275**	**19**	**9,294**
2009			
Non-current:			
Lease deposit	884	-	884
Deferred consideration on disposal of subsidiary	1,000	-	1,000
Current:			
Trade receivables	697	-	697
Cash and cash equivalents	13,910	-	13,910
Other receivables	174	-	174
Forward foreign exchange contracts	-	59	59
Total for category	**16,665**	**59**	**16,724**

27. RISK MANAGEMENT (CONTINUED)

The carrying amounts of financial liabilities presented in the consolidated balance sheet relate to the following measurement categories as defined in IAS 39:

	Financial liabilities measured at amortised cost £'000	Other (non-IAS 39) £'000	Total for line item £'000
2010			
Non-current:			
Finance leasing capital obligations	-	(834)	(834)
Current:			
Trade payables	(1,044)	-	(1,044)
Accruals	(2,399)	-	(2,399)
Deferred consideration due on acquisition	(1,000)	-	(1,000)
Finance leasing capital obligations	-	(480)	(480)
Total for category	**(4,443)**	**(1,314)**	**(5,757)**
2009			
Non-current:			
Finance leasing capital obligations	-	(54)	(54)
Current:			
Trade payables	(746)	-	(746)
Accruals	(1,923)	-	(1,923)
Deferred consideration due on acquisition	(4,800)	-	(4,800)
Finance leasing capital obligations	-	(148)	(148)
Total for category	**(7,469)**	**(202)**	**(7,671)**

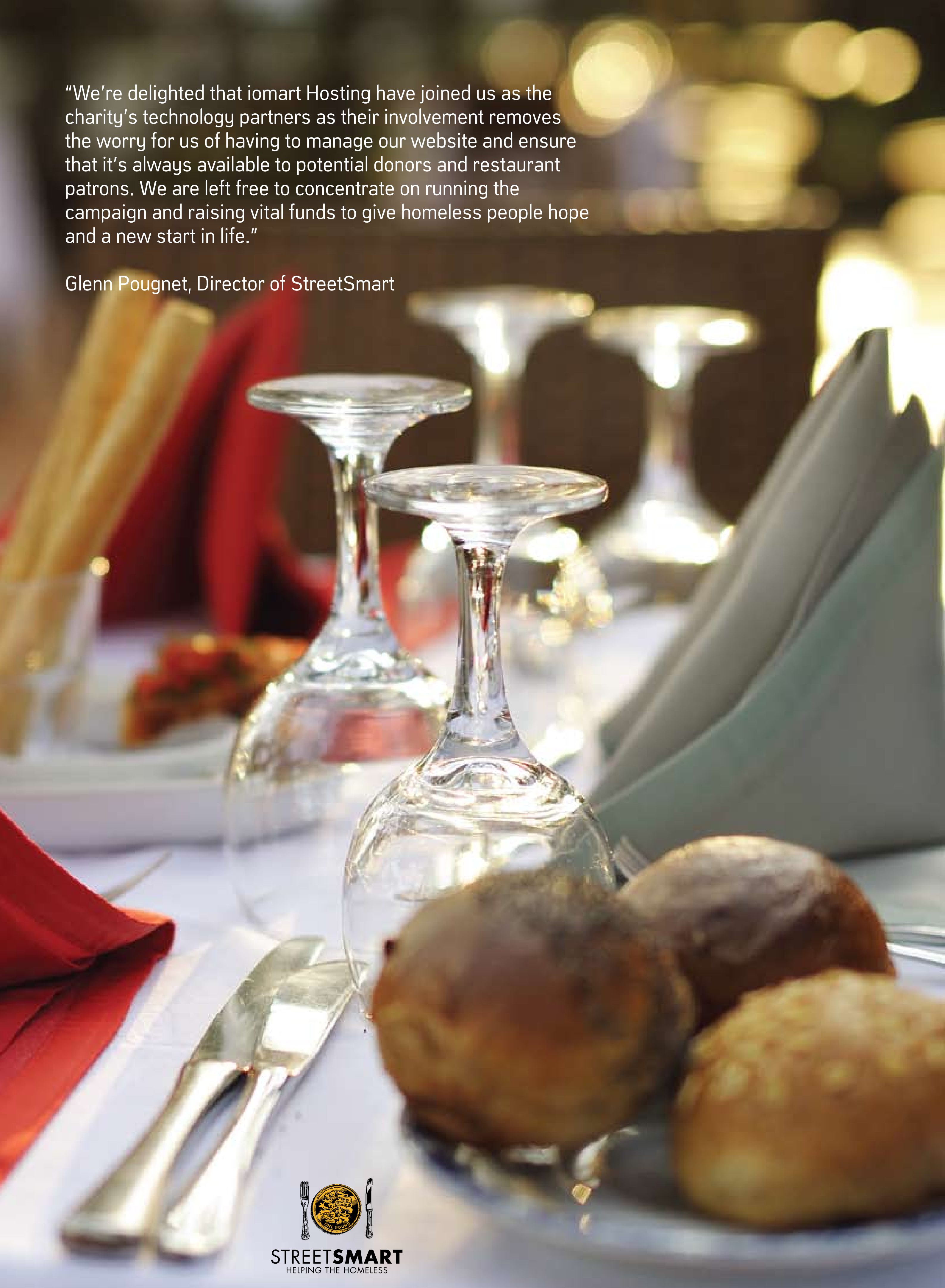
Liquidity risk
The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. The Group reviews its cash flow requirements on a monthly basis.

Interest rates
The interest rate on the Group's cash at bank is determined by reference to the base rate.

Currency risk
During the year the Group made payments totalling US$1.6m (2009: US$1.4m) 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 $800,000 (2009: $500,000) for a total of £509,000 (2009: £289,000), at an average exchange rate of US$:GBP of 1.57 (2009: 1.73) over the period to September 2010. The fair value of these currency contracts is estimated to be approximately £19,000 (2009: £59,000). This has been recognised in the income statement for the 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.

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 of £1,258,000 (2009: £697,000) 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.



"We're delighted that iomart Hosting have joined us as the charity's technology partners as their involvement removes the worry for us of having to manage our website and ensure that it's always available to potential donors and restaurant patrons. We are left free to concentrate on running the campaign and raising vital funds to give homeless people hope and a new start in life."

Glenn Pougnet, Director of StreetSmart

STREETSMART
HELPING THE HOMELESS

UK Charity StreetSmart raises money for homeless people by asking diners in the nation's top restaurants to give an extra £1 on top of their bill during the festive period.

Holding Company Financial Statements

Year ended 31March 2010

INDEPENDENT AUDITOR'S REPORT 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 2010 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of iomart Group plc for the year ended 31 March 2010.

Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
1 June 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Investments	4	26,630	17,129
		26,630	**17,129**
CURRENT ASSETS			
Debtors	5	16,039	13,081
Cash at bank		5,224	13,577
		21,263	**26,658**
CREDITORS: amounts falling due within one year	**7**	**(8,355)**	**(5,400)**
NET CURRENT ASSETS		**12,908**	**21,258**
NET ASSETS		**39,538**	**38,387**
CAPITAL AND RESERVES			
Called up share capital	8	1,028	1,002
Own shares	9	(2,464)	(678)
Capital redemption reserve	9	1,200	1,200
Share premium account	9	19,514	17,583
Profit and loss account	9	20,260	19,280
TOTAL EQUITY SHAREHOLDERS' FUNDS		**39,538**	**38,387**

These financial statements were approved by the board of directors on 1 June 2010.
Signed on behalf of the board of directors

Angus MacSween
Director and chief executive officer
iomart Group plc – Company Number: SC204560

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. As part of the acquisition strategy of the Company, the trade and net assets of subsidiary undertakings at or shortly after acquisition may be transferred at book value to fellow subsidiaries. The cost of the Company's investment in that subsidiary undertaking would have reflected the underlying fair value of its net assets and goodwill at the time of its acquisition. As a result of such a transfer, the value of the Company's investment in that subsidiary undertaking may fall below the amount at which it was stated in the Company's accounting records.

Where this occurs, Schedule 4 of the Companies Act 2006 requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, the directors consider that, as there has been no overall loss to the Group, it would fail to give a true and fair view to charge the diminution to the Company's profit and loss account. Instead, the carrying value of the investment in all companies transferred will be considered together against the future cashflows and net asset position of those companies which received the trade and net assets.

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 408 of the Companies Act 2006, 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 £1,022,000 (2009: £13,647,000).

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2010 £'000	2009 £'000
Staff costs of the company during the year in respect of employees and directors were:		
Executive directors' remuneration	523	520
Non-executive directors' remuneration	110	110
Other wages and salaries	447	447
Social security costs	111	108
Pension contributions to personal money purchase schemes	33	29
	1,224	**1,214**

The comparatives in the above table have been restated to reflect the impact of a staff reorganisation in the prior year in which certain Group employees transferred their employment to the company. 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

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2009	18,803
Additions	9,390
Share based payment	122
Cost at 31 March 2010	**28,315**
Impairment	
At 1 April 2009	(1,674)
Charge for the year	(11)
Impairment at 31 March 2010	**(1,685)**
Net book value of Investments at 31 March 2010	**26,630**
Net book value of Investments at 31 March 2009	17,129

All of the above investments are unlisted.

4. INVESTMENTS HELD AS FIXED ASSETS (CONTINUED)

The following subsidiaries are included in the company financial statements:

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

* as described in Note 20 of the Group Financial Statements, the single share in Ezee DSL Limited, representing 0.2% of its issued share capital, has been transferred to iomart Group plc through the completion of a signed stock transfer form that has been placed in escrow until the final payment of deferred consideration is made on 27 August 2010. Until the final payment is made, under the terms of the agreement, the vendor has undertaken to vote and otherwise exercise any and all rights in respect of the single share as directed by iomart Group plc. Furthermore, the vendor has undertaken to waive any and all dividends or other distributions made or declared in respect of the single share.

5. DEBTORS

	2010 £'000	2009 £'000
Prepayments and accrued income	126	299
Other debtors	918	1,076
Other taxation and social security	36	49
Deferred taxation (note 6)	72	79
Amounts owed by subsidiary undertakings	14,887	11,578
	16,039	13,081

6. DEFERRED TAXATION

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

	2010		2009	
	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000
Share based remuneration	72	-	79	-

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

	2010 £'000	2009 £'000
Balance brought forward	79	205
Income statement movement arising during the year	(7)	(51)
Profit and loss account reserve movement during the year	-	(75)
Balance carried forward	72	79

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

	2010 £'000	2009 £'000
Trade creditors	43	58
Other taxation and social security	184	169
Accruals and deferred income	801	824
Deferred consideration	1,000	-
Amounts owed to subsidiary undertakings	6,327	4,349
	8,355	**5,400**

8. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2008, 2009, and 2010	**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**
Issued to Employee Benefit Trust	2,513,297	26
At 31 March 2010	**102,752,599**	**1,028**

During the year the company issued 2,513,297 ordinary shares of 1p each to the iomart Group plc Employee Benefit Trust in relation to the Joint Share Ownership Plan (JSOP) (2009: nil), for which a net total of £1,244,000 was received. In the previous year, the company issued 800,000 ordinary shares of 1p each in respect of the exercise of share options by employees for which a net total of £50,000 was received.

8. SHARE CAPITAL (CONTINUED)

At 31 March 2009 the company held 3,294,547 shares in treasury, which were accounted for in the Own Shares reserve and had a nominal value of £32,945 and a market value of £1,070,728. This represented 3.4% of the issued share capital as at 31 March 2009 excluding treasury shares. During the year the company issued 830,660 shares from treasury in respect of the exercise of share options by employees and 2,463,887 shares from treasury to the iomart Group plc Employee Benefit Trust in relation to the JSOP. At 31 March 2010 no shares were held in treasury.

Due to the issue of new ordinary shares and the issue of shares held in treasury at 31 March 2010 the company held 4,977,184 shares (2009: nil) in the iomart Group plc Employee Benefit Trust in relation to the JSOP which are accounted for in the Own Shares JSOP reserve and have a nominal value of £49,772 (2009: £nil).

During the year the company set up a Joint Share Ownership Plan ("JSOP") to provide incentives to directors and employees. At 31 March 2010, 4,977,184 shares were held in the JSOP all with an initial participation price of 49.5p, which was the mid-market value of the shares at the start of trading on the day they were issued, resulting in a total market value in the Own Shares JSOP reserve of £2,463,706.

The JSOP shares are held jointly between employees and the iomart Group plc Employee Benefit Trust. Under the terms of the JSOP rules employees are eligible to receive the excess of any disposal proceeds received for the JSOP shares over the participation price. The participation price is subject to a 3% per annum escalation until the JSOP shares are sold. The JSOP shares do not carry dividend or voting rights whilst they are jointly held by employees and the iomart Group plc Employee Benefit Trust.

Under the rules of the scheme should the market price of a vested JSOP share exceed the participation price the employee has the option to convert the value of any such excess value into a number of wholly owned shares within the JSOP. If an employee exercises this right then the wholly owned shares subsequently held within the JSOP by the employee shall be eligible for both dividend and voting rights.
The share capital of iomart Group plc consists of ordinary shares with a par value of 1p. All shares, excluding the shares held by the iomart Group plc Employee Benefit Trust and in the prior year the 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 2010 are fully paid.

9. STATEMENT OF MOVEMENT IN RESERVES

	Own shares JSOP £'000	Own shares treasury £'000	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
Profit for the financial period	-	-	-	-	1,022
Dividends	-	-	-	-	(291)
Share based payments	-	-	-	-	379
Issue of own shares for option redemption	-	171	-	-	(130)
Issue of own shares to Joint Share Ownership Plan	-	507	-	712	-
Issue of new shares to Joint Share Ownership Plan	(2,464)	-	-	1,219	-
	(2,464)	678	-	1,931	980
Opening balance	-	(678)	1,200	17,583	19,280
Closing balance	**(2,464)**	**-**	**1,200**	**19,514**	**20,260**

10. MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £'000	2009 £'000
Profit for the financial period	1,022	13,647
Dividend paid	(291)	-
Acquisition of own shares	-	(678)
Issue of own shares for option redemption	41	50
Issue of own shares to Joint Share Ownership Plan	1,219	-
Issue of new shares to Joint Share Ownership Plan	(1,219)	-
Share based payments	379	231
Deferred tax on share based remuneration	-	(75)
	1,151	**13,175**
Opening shareholders' funds	**38,387**	**25,212**
Closing shareholders' funds	**39,538**	**38,387**

11. SHARE BASED PAYMENTS

For details of share based payment awards and fair values see note 24 to the Group financial statements. The Company accounts recognise the charge for share based payments for the year of £379,000 (2009: £231,000) by;

1) taking the charge in relation to employees of the holding company through the holding company income statement £256,000 (2009: £152,000),

2) recording an increase to its investment in subsidiaries for the amounts attributable to directors of subsidiaries and recording a corresponding entry to the profit and loss account reserve £123,000 (2009: £79,000).

12. CONTINGENCIES AND COMMITMENTS

(a) Contingencies

The Company is a party to certain operating lease agreements for properties which have been converted into datacentres. These operating leases impose a liability on the Company, at the request of the lessor, to reinstate the properties to the condition they were in before conversion to datacentres. All of these properties are on long term leases and these leases may be extended. Consequently the Directors believe that the likelihood of these liabilities crystalising is remote. There were no other contingent assets or liabilities as at 31 March 2010 (2009: nil).

(b) Commitments

There are no commitments present as at 31 March 2010 (2009: Nil).

Notice of the 2010 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2010 annual general meeting of the Company will be held at Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow G20 0SP on 23 August 2010 at 2.30 pm for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 7 (inclusive) will be proposed as ordinary resolutions and resolutions 8 to 9 (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 2010.

2 To approve the report of the board to the members on directors' remuneration for the year ended 31 March 2010.

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

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

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

6 That, in accordance with section 551 of the Companies Act 2006 (the "Act"), the Directors are generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company (the "Rights") provided that:

(a) the aggregate nominal amount of shares to be allotted in pursuance of such authority is £342,508.66; and

(b) this authority shall expire, unless sooner revoked or varied by the Company in general meeting, at the conclusion of the Company's annual general meeting to be held in 2011 save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights granted after such expiry and the Directors may allot shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 80 of the Companies Act 1985 or section 551 of the Act.

7 That for the purposes of section 551 of the Act, the Directors are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in section 560 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 £342,508.66 provided that this authority shall expire, unless sooner revoked or varied by the Company in general meeting, at the conclusion of the Company's annual general meeting to be held in 2011 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 any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

8 That subject to the passing of resolutions 6 and 7 and in accordance with section 570 of the Act and in place of all existing powers, the Directors are generally empowered to allot equity securities of the Company (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolutions 6 and 7 as if section 561 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 an issue in favour of holders of ordinary shares of 1 penny each in the capital of the Company (the "Ordinary Shares") where the equity securities are offered to such holders in proportion (as nearly as may be) to the respective number of Ordinary Shares held, or deemed to be held, by that shareholder but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal 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 41 of the articles of association of the Company; and

(c) the allotment (otherwise than pursuant to (a) and (b) above) of equity securities up to an aggregate nominal amount of £51,376.29;

provided that this authority will expire, unless sooner revoked or varied by the Company in general meeting, at the conclusion of the Company's annual general meeting to be held in 2011, save that the Company may at any time 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 notwithstanding that the power conferred by this resolution has expired.

9 That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) on a recognised investment exchange (as defined in section 693(5) of the Act) of Ordinary Shares provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 10,275,259 (representing 10% of the Company's issued ordinary share capital at the date of the notice of this annual general meeting);

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

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

(d) unless previously revoked or varied, the authority hereby conferred shall expire on the conclusion of the next annual general meeting of the Company; and

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

By order of the board

Bruce Hall
Company Secretary
Lister Pavilion, Kelvin Campus,
West of Scotland Science Park,
29 June 2010
Glasgow G20 0SP

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 Registrars, PXS, 34 Beckenham Road, Beckenham, 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 Thursday 19 August 2010) 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 19 August 2010; 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.

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 OF IOMART GROUP PLC

Ordinary Resolutions

Resolutions 1 to 7 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 2010 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 11 to 14. 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 article 24 of the Company's articles of association one third of the directors are required to retire by rotation at each annual general meeting. Pursuant to those articles, Mr Ian Ritchie and Mr Fred Shedden 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 Ian Ritchie and Mr Fred Shedden 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 Ian Ritchie and Mr Fred Shedden.

Brief biographical details of Mr Ian Ritchie and Mr Fred Shedden are given below.

Ian Ritchie 59, appointed 2008; currently Chairman of Computer Application Services Ltd, Caspian Learning Ltd and

Interactive Design Institute 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).

Fred Shedden 65, 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.

Resolution 5 – 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 6 and 7 – Authority to authorise the directors to allot shares

Section 551 of the Companies Act 2006 (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 6 would give the directors the authority to allot shares up to an aggregate nominal amount of £342,508.66, being approximately one-third of the issued ordinary share capital of the Company as at the date of the notice of this meeting.

In line with recent guidance issued by the Association of British Insurers, resolution 7 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 £342,508.66 (representing 34,250,866 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.

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 2011.

Special Resolutions

Resolutions 8 and 9 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 8 - Disapplication of statutory pre-emption rights

Resolution 8 gives authority to the directors of the Company to disapply the provisions of section 561 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.

There are legal, regulatory and practical reasons why it may not always be possible to issue new shares under a rights issue to some shareholders, particularly those resident overseas. To cater for this, resolution 8 (at paragraph (a)), 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.

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 8 asks shareholders to waive their pre-emption rights in respect of any such issue of shares.

Resolution 8 (at paragraph (c)) asks shareholders to waive their pre-emption rights, 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. 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.

The power given by resolution 8 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 2011.

Resolution 9 – 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.

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 earnings per Ordinary Share.

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

In relation to any buy back, the maximum price per Ordinary Share at which the Company is authorised in terms of resolution 9 to 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 693 and 701 of the Companies Act 2006.

Officers and Professional Advisers

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

Angus MacSween
Chief Executive Officer

Chris Batterham MA, FCA
Non Executive Director

Sarah Haran
Director

Richard Logan BA, CA
Director

Fred Shedden MA, LLB
Non Executive Director

Bruce Hall BAcc (Hons), CA
Secretary

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

Nominated adviser and broker
KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2N 1PH

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

Solicitors
McGrigors LLP, 141 Bothwell Street, Glasgow G2 7EQ

Independent auditors
Grant Thornton UK LLP, 95 Bothwell Street, Glasgow G2 7JZ

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

Company Registration Number
SC204560

Group Contact Information

iomart Group
✆ : + 44 (0) 141 931 6400
✉ : info@iomart.com
www.iomart.com

iomart hosting
✉ : info@iomarthosting.com
www.iomarthosting.com

Easyspace
✉ : sales@easyspace.com
www.easyspace.com

Rapidswitch
✉ : sales@rapidswitch.com
www.rapidswitch.com

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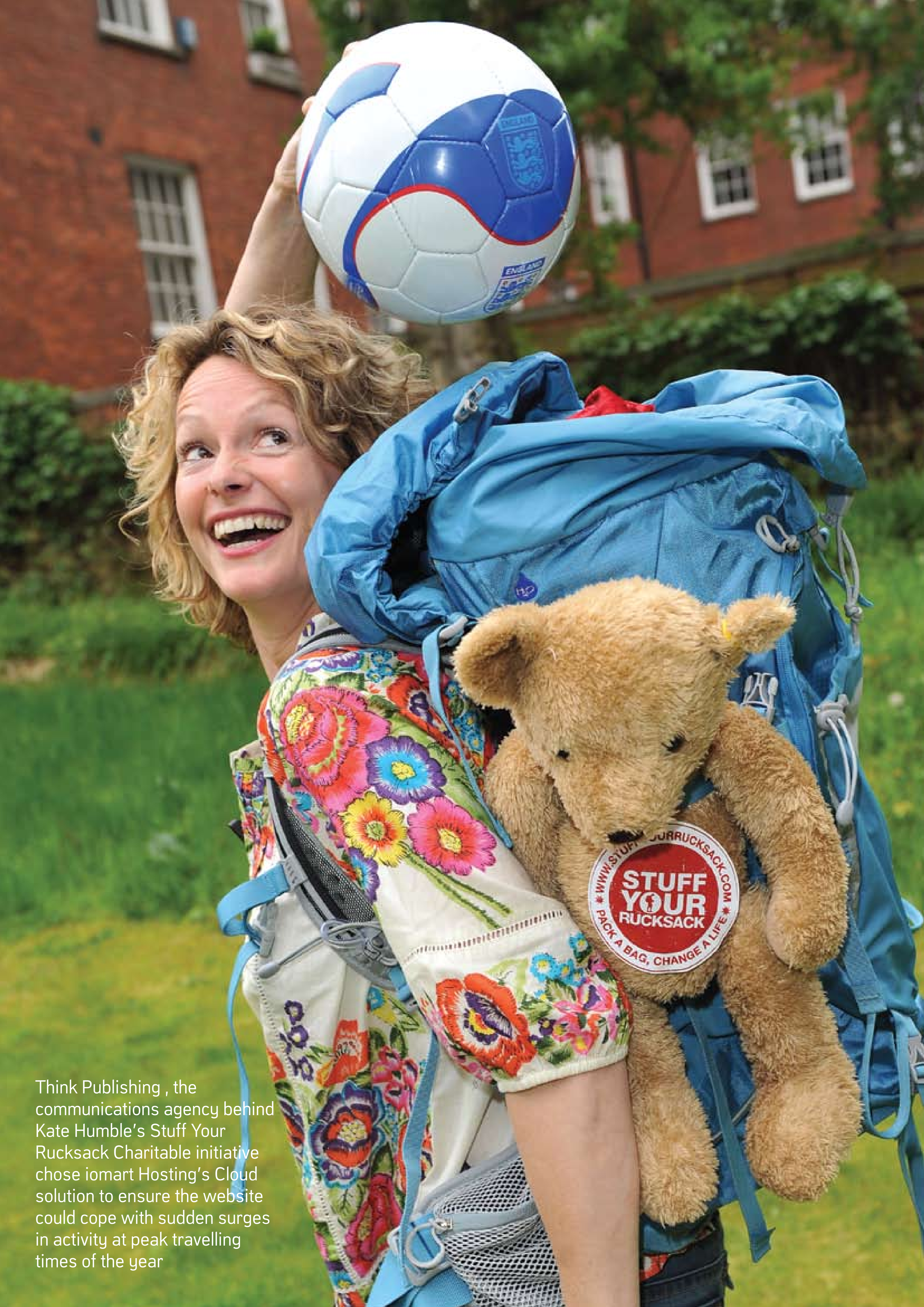

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