

IOMART GROUP PLC

Report and Financial Statements

31 March 2003

**Deloitte & Touche
Glasgow**



IOMART GROUP PLC

REPORT AND FINANCIAL STATEMENTS 2003

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OFFICERS AND PROFESSIONAL ADVISERS

Directors

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

Secretary

Stewart Moir

Registered office

Fleming Pavilion
Todd Campus
West of Scotland Science Park
Glasgow
G20 0XA

Nominated adviser and broker

Peel Hunt plc
111 Old Broad Street
London
EC2N 1HP

Bankers

Bank of Scotland
235 Sauchiehall Street
Glasgow
G2 3EY

Solicitors

McGrigor Donald
Pacific House
70 Wellington Street
Glasgow
G2 6SB

Independent auditors

Deloitte & Touche
Glasgow

Registrars

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

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CHAIRMAN'S STATEMENT

The year 2002/03 has seen the company focusing on its two businesses of network security software and web-services. The figures showing revenues of £2.2 million (2002 - £5.4 million) and a loss of £1.9 million (2002 - £7.9 million) demonstrate the effects of this focus and the impact of a more robust business model.

NetIntelligence has been developed into a sophisticated tool in the growing content management market related to the increased usage of email, internet and networks by companies both large and small. The latest version 3.07, providing a full range of detailed management reports, suitable for both corporate and SME customers, has a significant sales pipeline with some forty customers to date. Potential for major announcements in the near term emphasises the validity of this product portfolio. The speed of uptake has however been disappointing and will probably remain below expectations in the current business climate. New sales initiatives should begin to create more significant sales revenue before the end of the current year.

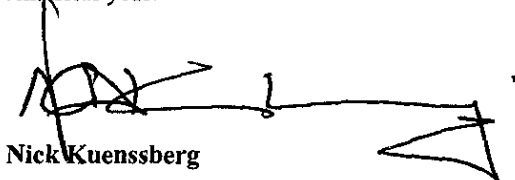
Web services are based on the iomart Internet operation with sales offices originally in Lancaster and latterly in Barrow, backed up by office and infrastructure in Glasgow and a third sales team potentially also in Glasgow. Sales are now running at £2.5 million per annum and progress will be enhanced by the introduction of new products for our customer base of c 7,000. The ability of the existing Glasgow hosting business has been underwritten by having recently won a substantial deal from a major media group.

We exited the operations in Germany early in the year, full provision having already been made at March 2002 as advised with the 2001/02 results. It is not anticipated that the 20% holding in Canbox Technologies GmbH will create any value for shareholders.

Although we have looked at other companies and business opportunities to complement our offerings, our focus is clear and we have not been distracted. We retain cash balances of £4 million which will be sufficient to fund both incremental marketing spend for NetIntelligence and the further development of our web services business.

The promotion of NetIntelligence demands a new director of sales who started in April. As a consequence Bill Dobbie will move from an executive to a non-executive role as at the date of the AGM with a wide-ranging remit for strategic development. Our tight cohesive board remains appropriate for the current size and shape of your company's activities.

We remain confident about both our businesses. With overhead expense running at £220,000 per month and a maturing sales platform we believe that monthly group profitability is achievable before the end of the current financial year.



Nick Kuenssberg

Non-executive chairman

20 May 2003

IOMART GROUP PLC

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CHIEF EXECUTIVE OFFICER'S REPORT

The year to end March 2003 has been one of consolidation, cost control and concentration on building our two business streams. We began April 2002 with a relatively new software product, NetIntelligence, and an embryonic web services business, having restructured our telecoms business. Whilst this has reduced revenues to £2.2 million we have dramatically improved our profit and loss account from losses of £7.9 million to a loss of £1.9 million.

Our focus is on continuing to bear down on cost, whilst growing aggressively our web services business via direct sales by c. 1,000 customers a month to ensure a quality recurring revenue stream and increasing our revenues from direct and indirect sales of NetIntelligence. Whilst we attained our forecast revenue for web services, sales of NetIntelligence are still not flowing through as quickly as we had hoped. However we remain convinced that, with an ever improving product and the increasing demands around the management of internet and email, we will start to close significant sales through this year.

Results

Turnover for the year of £2.19 million is made up of £2.17 million from ongoing operations, network security and web services (co-location, hosting, domain names and mail), and £0.02 million from the discontinued operations in Germany.

Administrative expenses totalled £3.81 million, which represents a considerable decrease on the total of £11.08 million for the previous period. In addition, restructuring costs of £0.47 million were incurred. We have continued to reduce our administrative expenses to reflect our current business. We have carried out an extensive impairment review of all tangible and intangible fixed assets and have fully written down those where we do not anticipate any recoverable value. Going forward the requirement for capital expenditure is expected to be modest.

The group operating loss was £2.40 million compared with a total of £11.84 million, of which £6.98 million was attributable to continuing operations for the previous period.

Bank interest receivable amounted to £0.20 million. Interest payable on finance leases and hire purchase contracts was £0.03 million.

The loss for the year before taxation was £2.22 million. There is no liability to corporation tax on the results for the year and research and development tax credits totalling £0.33 million are due to be refunded to the group, resulting in a loss after taxation for the year of £1.89 million (2002 - £7.90 million).

The loss per share for the year was 3.5p compared to 14.7p for the 15 months ended 31 March 2002.

Cash and borrowings

Cash balances at 31 March 2003 were £4.04 million. Borrowings under finance leases amounted to £0.54 million. The group had no other debt outstanding.

Financial instruments

The group's financial instruments comprise cash and liquid resources and 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. All transactions of the holding company and the UK subsidiaries are in UK sterling and the group does not use derivative instruments.

Financial Position

The group's financial position remains strong with sufficient cash reserves to fund the current business plan and take the group through to profitability.

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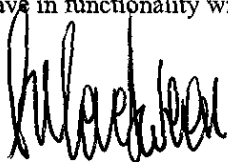
REPORT AND FINANCIAL STATEMENTS 2003

CHIEF EXECUTIVE OFFICER'S REPORT (CONTINUED)

Prospects

We are continuing to meet our revenue and customer acquisition forecasts in web services, focussed on providing web hosting and related services to small business. We believe there are significant growth opportunities in this sector as knowledge and understanding of the internet matures within the small and micro business community.

Our challenge with NetIntelligence remains to break into the security and content management market in a meaningful way. The next twelve months will be critical in this regard but we remain confident that the leadership we have in functionality will win us important reference customers in the year ahead.



Angus MacSween

Chief executive officer

20 May 2003

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CORPORATE GOVERNANCE

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

Directors and the board

The board directs the group's activities in an effective manner through regular monthly board meetings and monitors performance through timely and relevant reporting procedures. Where it deems it necessary the board requests reports on specific areas outwith the normal reporting regime.

The board comprises three executive and two non-executive directors. The roles of chairman and chief executive are separate appointments and it is board policy that this will continue.

The board has established two committees, the audit committee and the remuneration committee, membership of both being exclusively non-executive. Nick Kuenssberg is chairman of the audit committee and Fred Shedden chairman of the remuneration committee. A separate report on directors' remuneration is set out on pages 7 to 9.

As stated in the chairman's review there will be a change in the formal structure of the board as at the annual general meeting whereby Bill Dobbie will give up his executive role and become a non executive director in response to the changing requirements of the company. He will also become a member of both the audit and the remuneration committees.

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 meets at least three times a year with the external auditors.

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 whole and each business sector are reported monthly, along with an analysis of key variances. Year-end forecasts are updated on a regular basis.
- Investment appraisal; applications for capital expenditure are made in a prescribed format which places emphasis on the commercial and strategic as well as the financial justification. All significant projects require specific board approval.

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

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REPORT OF THE BOARD TO THE MEMBERS ON DIRECTORS' REMUNERATION

In framing its remuneration policy, the committee has given consideration to the Combined Code issued by the London Stock Exchange. While the company is listed on the Alternative Investment Market, it is not required to comply with the provisions of Schedule 7a of the Companies Act. The following disclosures are voluntary as is the resolution (1.5) 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;
- continued commitment of executives to the group's success through appropriate incentive schemes.

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 of up to 50% of basic salary dependent on individual and group performance at the discretion of the remuneration committee.

- Car allowance and other benefits

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

- Pensions

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

All the executive directors are engaged under service contracts which require a notice period of 12 months given any time on or after 31 March 2003.

Remuneration of non-executive directors

The fees paid to the non-executive directors, who do not receive any bonus or other benefits, are determined by the board.

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

Constitution of board

As noted in the chairman's review the board has considered the requirements of the company and determined that Bill Dobbie will transfer from an executive role to the role of non executive director and a consultant with a wide-ranging strategic remit with effect from the date of the annual general meeting. He will have a letter of appointment as a non executive director on a twelve month rolling basis.

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

Directors' remuneration

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

Name of director	Salary or fees	Benefits	Pension contri- butions	Compen- sation for loss of office	Year ended 31 March 2003	15 months ended 31 March 2002
					Total	Total
	£	£	£	£	£	£
Executive						
Angus MacSween	93,500	7,200	9,350	-	110,050	132,458
Bill Dobbie	85,000	7,200	8,500	-	100,700	130,792
Sarah Haran	62,083	7,200	2,561	-	71,844	89,359
Neil Finlayson (resigned 26/6/02)	15,750	1,800	-	25,000	42,550	90,000
Non-executive						
Nick Kuenssberg	20,000	-	-	-	20,000	27,500
Fred Shedden	15,000	-	-	-	15,000	21,250
David Harrison (resigned 26/6/02)	3,750	-	-	-	3,750	92,869

Directors' interests in shares

The interests of the directors in the shares of the company at 31 March 2003, together with their interests at 1 April 2002 were as follows:

Name of director	Number of ordinary shares	
	31 March 2003	1 April 2002
Angus MacSween	17,955,000	17,955,000
Bill Dobbie	14,410,000	12,010,000
Sarah Haran	218,855	10,555
Nick Kuenssberg	585,777	132,777
Fred Shedden	457,222	107,222

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

Directors' interests in share options

The interests of the directors at 31 March 2003 in options over the ordinary shares of the company were as follows:

Name of director	Options over ordinary shares of 1p each							
	1 April 2002	Granted in the period	Surrendered	Exercised	31 March 2003	Exercise price	Date from which exercisable	Expiry date
Sarah Haran	159,746	-	-	-	159,746	5p	11/5/00	14/12/08
	159,747	-	-	-	159,747	5p	11/2/01	14/12/08
	159,747	-	-	-	159,747	5p	11/2/02	14/12/08
	100,000	-	-	-	100,000	9p	27/2/05	27/2/12
	-	50,000	-	-	50,000	6.25p	26/7/02	26/7/12
	-	50,000	-	-	50,000	6.25p	26/7/03	26/7/12
	-	50,000	-	-	50,000	6.25p	26/7/04	26/7/12

No options lapsed during the period. No other directors have been granted share options in the shares of the company or other group companies. The market price of the company's shares at the end of the financial period was 5.25p and the range of prices during the period was between 14.5p and 4.0p.

By order of the board



Fred Shedden
Chairman, remuneration committee
20 May 2003

IOMART GROUP PLC

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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 2003.

Principal activity

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

Business review and future developments

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

Dividends

No dividends have been paid or proposed for the year ended 31 March 2003 (15 month period ended 31 March 2002 – nil).

Directors and their interests

The present membership of the board is set out on page 2. David Harrison and Neil Finlayson resigned on 26 June 2002. In accordance with the company's articles of association, Sarah Haran and Nick Kuenssberg will resign and 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 7 to 9.

Substantial shareholdings

At 13 May 2003 the following interests in three per cent or more of the issued ordinary share capital had been notified to the company:

	Number of ordinary shares	Percentage held
Angus MacSween	17,955,000	33.45%
Bill Dobbie	14,410,000	26.71%
Fleming Mercantile Investment Trust	3,976,116	7.39%

Employee involvement

An employee forum meets regularly to consult with staff and to provide feedback to management on any issues raised by employees.

A newsletter is sent to all staff every two months, 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.

All staff are eligible to receive share options in the company under the group's share option schemes and it is the board's policy to make regular option awards to all levels of staff to encourage staff involvement in, and commitment to, the group's performance.

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.

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REPORT AND FINANCIAL STATEMENTS 2003

DIRECTORS' REPORT (CONTINUED)

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. The group's average creditor payment period at 31 March 2003 was 40 days (31 March 2002 – 45 days). The company's average creditor payment period at 31 March 2003 was 30 days (31 March 2002 – no transactions with suppliers).

Auditors

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By order of the board



Stewart Moir

Company secretary

20 May 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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BOARD OF DIRECTORS

Angus MacSween

46, 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, the UK's leading telephone information services company to Scottish Power Telecommunications, Angus spent two years on the Executive of Scottish Telecom where he was responsible for the development of the Company's Internet division. In December 1998, Angus founded iomart in conjunction with Bill Dobbie.

Bill Dobbie

44, appointed 2000; Bill spent 9 years with Unisys in a number of technical, sales and marketing roles in the UK and Australasia, prior to joining Angus MacSween at Teledata in 1989. In 1996 joined Scottish Telecom as a Director, responsible for the company's Support centre and Internet divisions. In March 1998, Bill was appointed non-executive Director for Demon Internet following its acquisition by Scottish Telecom. In December 1998, Bill founded iomart in conjunction with Angus MacSween. Previously director of several companies acquired by Scottish Telecom.

Sarah Haran

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

Nick Kuenssberg

60, appointed 2000; currently chairman of GAP Group Ltd, Canmore Partnership Ltd, Stac Affinity Services plc and director of Chamberlin & Hill plc and RingProp plc and previously chairman of Stoddard International plc, Dynacast International Ltd and David A Hall Ltd and other companies and director of Coats Viyella plc, Dawson International plc, ScottishPower plc, Standard Life Assurance Company and other companies. Chairman of Scotland the Brand and Scottish Networks International, deputy chairman of Scottish Environment Protection Agency and board member of Scottish Legal Aid Board and previously chairman of IoD, Scotland and ScotlandIS and visiting professor at Strathclyde Business School.

Fred Shedden

58, appointed 2000; chairman of Halladale Group plc, Wisdom IT Holdings Limited and Good Practice Limited; director of Martin Currie Japan Investment Trust plc, Murray International Trust plc, Equitable Life Assurance Society and other companies; member of The Scottish Further Education Funding Council and of the management committee of Glasgow Housing Association; formerly managing partner and senior partner of McGrigor Donald.

SENIOR MANAGEMENT

Angus MacSween	Chief executive officer
Stuart Forrest	Technical sales director, web services
Mark Hallam	Sales director, web services
Sarah Haran	Operations director
Stewart Moir CA	Financial controller and company secretary
Jim Mooney	Director of sales
Bill Strain	Chief technology officer

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IOMART GROUP PLC

We have audited the financial statements of iomart Group Plc for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheets, the cash flow statement and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IOMART GROUP PLC (CONTINUED)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2003 and of the loss of the group for the year then ended; and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Glasgow

20 May 2003

Notes: An audit does not provide assurance on the maintenance and integrity of the group's website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

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

IOMART GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2003

	Note	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
TURNOVER			
Continuing operations	3	2,174	1,719
Discontinued operations	3	18	3,680
Total turnover		<u>2,192</u>	<u>5,399</u>
Cost of sales	3	<u>(312)</u>	<u>(3,339)</u>
Gross profit	3	<u>1,880</u>	<u>2,060</u>
Administrative expenses		(3,809)	(11,079)
Restructuring expenses		<u>(466)</u>	<u>(3,021)</u>
Total administrative expenses	3	<u>(4,275)</u>	<u>(14,100)</u>
Other operating income		-	203
Net operating expenses	3	<u>(4,275)</u>	<u>(13,897)</u>
OPERATING LOSS			
Continuing operations	3	(2,395)	(6,976)
Discontinued operations	3	-	(4,861)
Operating loss	4	<u>(2,395)</u>	<u>(11,837)</u>
Profit on sale of businesses		-	3,609
Net interest	6	<u>(2,395)</u> <u>171</u>	<u>(8,228)</u> <u>327</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(2,224)</u>	<u>(7,901)</u>
Tax on loss on ordinary activities	7	<u>334</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE YEAR/PERIOD		<u>(1,890)</u>	<u>(7,901)</u>
Equity minority interests		<u>18</u>	<u>5</u>
LOSS FOR THE FINANCIAL YEAR/PERIOD	19	<u><u>(1,872)</u></u>	<u><u>(7,896)</u></u>
Loss per ordinary share (pence)			
Basic	9	(3.5p)	(14.7p)

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

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CONSOLIDATED BALANCE SHEET 31 March 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Intangible assets	10	13	279
Tangible assets	11	376	1,011
		<u>389</u>	<u>1,290</u>
CURRENT ASSETS			
Debtors	13	793	927
Cash at bank and in hand		4,042	6,519
		<u>4,835</u>	<u>7,446</u>
CREDITORS: amounts falling due within one year	14	(1,170)	(2,513)
NET CURRENT ASSETS		<u>3,665</u>	<u>4,933</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,054	6,223
CREDITORS: amounts falling due after more than one year	15	(292)	(571)
EQUITY MINORITY INTERESTS	17	30	12
NET ASSETS		<u>3,792</u>	<u>5,664</u>
CAPITAL AND RESERVES			
Called up share capital	18	538	538
Capital redemption reserve	19	1,200	1,200
Share premium account	19	19,087	19,087
Profit and loss account	19	(17,033)	(15,161)
TOTAL EQUITY SHAREHOLDERS' FUNDS	20	<u>3,792</u>	<u>5,664</u>

These financial statements were approved by the board of directors on 20 May 2003.

Signed on behalf of the board of directors



Angus MacSween
Director

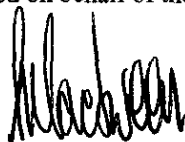
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COMPANY BALANCE SHEET 31 March 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Investments	12	1,500	1,500
CURRENT ASSETS			
Debtors	13	1,522	11,851
Cash at bank and in hand		3,828	6,430
		5,350	18,281
CREDITORS: amounts falling due within one year	14	(7)	-
NET CURRENT ASSETS		5,343	18,281
NET ASSETS		6,843	19,781
CAPITAL AND RESERVES			
Called up share capital	18	538	538
Capital redemption reserve	19	1,200	1,200
Share premium account	19	19,087	19,087
Profit and loss account	19	(13,982)	(1,044)
TOTAL EQUITY SHAREHOLDERS' FUNDS	20	6,843	19,781

These financial statements were approved by the board of directors on 20 May 2003.

Signed on behalf of the board of directors



Angus MacSween
Director

IOMART GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 March 2003

	Note	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
Net cash outflow from operating activities	21	(1,822)	(7,833)
Returns on investments and servicing of finance	22	171	327
Capital expenditure and financial investment	22	(92)	(577)
Acquisitions and disposals	22	-	4,030
Cash outflow before financing		(1,743)	(4,053)
Financing	22	(734)	(1,454)
Decrease in cash in the year/period		<u>(2,477)</u>	<u>(5,507)</u>
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the year/period		(2,477)	(5,507)
Cash outflows from debt and lease financing	23	<u>734</u>	<u>1,454</u>
Change in net funds from cash flows	23	(1,743)	(4,053)
New hire purchase and finance leases	23	-	(101)
Opening net funds		<u>5,244</u>	<u>9,398</u>
Closing net funds	23	<u>3,501</u>	<u>5,244</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

1. ACCOUNTING POLICIES

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

The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

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

Acquisitions & disposals

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

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

Goodwill and intangible fixed assets

Purchased goodwill arising on the acquisition of a business is capitalised in the year in which it arises and amortised over 3 years, which is the directors' estimate of its useful life.

Software licences are capitalised as intangible assets and amortised over the period of the licence.

Tangible fixed assets

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

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

Investments

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

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallize 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 is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognized 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.

Foreign exchange

Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rate ruling at that date. These translation differences are dealt with in the profit and loss account.

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiaries at the closing rate are taken direct to reserves.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

1. ACCOUNTING POLICIES (CONTINUED)

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful 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.

Development expenditure

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

2. DISPOSALS

The company disposed of 80% of its shareholding in Canbox Technologies GmbH on 31 May 2002 and the remaining 20% holding has been treated as a trade investment.

3. ANALYSES OF OPERATIONS

	Continuing year ended 31 March 2003 £'000	Dis- continued year ended 31 March 2003 £'000	Total year ended 31 March 2003 £'000	Continuing 15 months ended 31 March 2002 £'000	Dis- continued 15 months ended 31 March 2002 £'000	Total 15 months ended 31 March 2002 £'000
Turnover	2,174	18	2,192	1,719	3,680	5,399
Cost of sales	(303)	(9)	(312)	(559)	(2,780)	(3,339)
Gross profit	1,871	9	1,880	1,160	900	2,060
Administrative expenses	(3,800)	(9)	(3,809)	(6,712)	(4,367)	(11,079)
Restructuring expenses	(466)	-	(466)	(1,572)	(1,449)	(3,021)
Total administrative expenses	(4,266)	(9)	(4,275)	(8,284)	(5,816)	(14,100)
Other operating income	-	-	-	148	55	203
Net operating expenses	(4,266)	(9)	(4,275)	(8,136)	(5,761)	(13,897)
Operating loss	(2,395)	-	(2,395)	(6,976)	(4,861)	(11,837)

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

The results of Canbox Technologies GmbH up to 31 May 2002, the date it ceased to be a subsidiary, and the comparatives for the 15 month period ended 31 March 2002 are shown under discontinued operations.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

4. OPERATING LOSS

	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
Operating loss is after charging/(crediting)		
Depreciation of tangible fixed assets:		
Owned assets	214	432
Leased assets	283	1,117
Impairment write down of tangible fixed assets	230	1,452
Amortisation of intangible fixed assets	118	499
Impairment write down of intangible assets	148	506
Loss on sale of assets	-	15
Rentals under operating leases	261	492
Revenue grants	-	(55)
Amortised deferred grant income	-	(148)
Auditors' remuneration	6	10
- company audit fees		
- group audit fees	20	26
- other services	34	134
	<u> </u>	<u> </u>

The discount rate used in assessing the fixed asset write down is 8.4%.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
Directors' emoluments		
Aggregate emoluments	343	560
Pension contributions to money purchase schemes	20	24
	<u> </u>	<u> </u>
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	101	132
Pension contributions to money purchase schemes	9	-
	<u> </u>	<u> </u>

Included within the aggregate emoluments is £25,000 paid to Neil Finlayson as compensation for loss of office (15 month period ended 31 March 2002 – 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 7 to 9.

IOMART GROUP PLC

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	Year ended 31 March 2003 No.	15 months ended 31 March 2002 No.
Average number of persons employed by the group (including directors):		
Technical	21	30
Customer services	10	58
Sales and marketing	58	31
Administration	18	18
	<u>107</u>	<u>137</u>
Number of persons employed by the group at the year/period end		
Technical	22	26
Customer services	7	8
Sales and marketing	83	18
Administration	16	12
	<u>128</u>	<u>64</u>
	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
Staff costs during the year/period in respect of these employees and directors were:		
Wages and salaries	2,406	3,599
Social security costs	220	358
Other pension costs	20	24
	<u>2,646</u>	<u>3,981</u>

There are no company or group pension schemes. However the group makes contributions to directors' personal schemes as disclosed in the report of the board to the members on directors' remuneration on pages 7 to 9. The group operates a stakeholder pension scheme for the benefit of employees who wish to participate.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

6. NET INTEREST

	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
Investment income:		
Bank interest receivable	204	587
Interest payable and similar charges:		
Bank overdraft and other borrowings	(1)	(3)
Finance leases and hire purchase contracts	(32)	(257)
	(33)	(260)
Net interest	171	327

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
Research and development tax credit	334	-

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

	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
Loss on ordinary activities before tax	(2,224)	(7,901)
Tax credit @ 30%	(667)	(2,370)
Non qualifying depreciation	47	36
Disallowed expenditure	84	129
Deferred tax movement not provided	382	1,843
Movement in short term timing differences	(47)	-
Consolidation adjustments	2	188
Rate differences	40	-
Prior year adjustments	(175)	-
Difference in UK/German tax	-	174
	(334)	-

There is no tax charge in the year due to the availability of losses. Unrelieved losses of £13 million (31 March 2002 - £12 million) are carried forward and are available to reduce the tax liability in respect of suitable future trading profits.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

7. TAX ON LOSS ON ORDINARY ACTIVITIES (CONTINUED)

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

Deferred tax

A deferred tax asset has not been recognised in respect of losses carried forward as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is approximately £3.9 million. The asset would be recovered if suitable taxable profits were to be generated in the future.

8. LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial year, after writing off an amount due from a subsidiary company of £13,000,000, was £12,938,000 (15 months period ended 31 March 2002 – loss £618,000).

9. LOSS PER ORDINARY SHARE

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

FRS 14 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss per share would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that option holders would act irrationally and there are no other diluting future share issues, diluted EPS has not been presented.

	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
Loss for the financial period and basic earnings attributed to ordinary shareholders	(1,872)	(7,896)
	No '000	No '000
Weighted average number of ordinary shares	53,796	53,796
Loss per share	(3.5p)	(14.7p)

IOMART GROUP PLC

NOTES TO THE ACCOUNTS Year ended 31 March 2003

10. INTANGIBLE ASSETS

The group

	Goodwill £'000	Software licences £'000	Total £'000
Cost			
At 1 April 2002 and 31 March 2003	977	567	1,544
Accumulated amortisation			
At 1 April 2002	745	520	1,265
Charge for the year	98	20	118
Impairment write down	121	27	148
At 31 March 2003	964	567	1,531
Net book value			
At 31 March 2003	13	-	13
At 31 March 2002	232	47	279

The discount rate used in assessing the intangible asset write down is 8.4%.

11. TANGIBLE FIXED ASSETS

The group

	Leasehold improve- ments £'000	Computer software and equipment £'000	Office equipment £'000	Total £'000
Cost				
At 1 April 2002	283	5,354	229	5,866
Additions in the year	11	68	13	92
Disposals	(101)	(1,780)	(12)	(1,893)
At 31 March 2003	193	3,642	230	4,065
Accumulated depreciation				
At 1 April 2002	179	4,549	127	4,855
Disposals	(101)	(1,780)	(12)	(1,893)
Charge for the year	47	401	49	497
Impairment write down	-	230	-	230
At 31 March 2003	125	3,400	164	3,689
Net book value				
At 31 March 2003	68	242	66	376
At 31 March 2002	104	805	102	1,011

The discount rate used in assessing the fixed asset write down is 8.4%.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

11. TANGIBLE FIXED ASSETS (CONTINUED)

The net book value of the group's tangible fixed assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	Leasehold improve- ments £'000	Computer software and equipment £'000	Office equipment and vehicles £'000	Total £'000
At 31 March 2003	-	-	34	34
At 31 March 2002	61	373	72	506

12. INVESTMENTS HELD AS FIXED ASSETS

The company

Shares in subsidiary
undertakings
£'000

Cost

At 1 April 2002	1,835
Disposals	(310)

At 31 March 2003	1,525
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Provision

At 1 April 2002	335
Disposals	(310)

At 31 March 2003	25
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Net book value

At 31 March 2003	1,500
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At 31 March 2002	1,500
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All of the above investments are unlisted.

The company disposed of 80% of its shareholding in Canbox Technologies GmbH on 31 May 2002 and the remaining 20% holding has been treated as a trade investment. Full provision has been made against the investment in NSL (Internet) Limited. The following subsidiaries have been consolidated in the group accounts:

	Country of registration and operation	Activity	Portion of ordinary shares held %
iomart Limited	Scotland	Network security and web services	100
NSL (Internet) Limited	Scotland	Dormant	100
Canbox Technologies GmbH (until 31 May 2002)	Germany	Messaging	100
iomart Internet Limited	England	Web services	75

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

13. DEBTORS

The group	2003 £'000	2002 £'000
Trade debtors	259	581
Other debtors	76	254
Prepayments and accrued income	124	92
Research and development tax credit	334	-
	<u>793</u>	<u>927</u>
The company		
Prepayments and accrued income	2	-
VAT	2	-
Amounts owed by subsidiary undertakings	1,518	11,851
	<u>1,522</u>	<u>11,851</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

The group	2003 £'000	2002 £'000
Obligations under finance leases and hire purchase contracts (note 16)	249	704
Trade creditors	211	831
Taxation and social security	300	89
Other creditors	185	32
Accruals and deferred income	225	857
	<u>1,170</u>	<u>2,513</u>
The company		
Trade creditors	2	-
Taxation and social security	1	-
Other creditors	2	-
Accruals and deferred income	2	-
	<u>7</u>	<u>-</u>

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

The group	2003 £'000	2002 £'000
Obligations under finance leases and hire purchase contracts (note 16)	292	571

IOMART GROUP PLC

NOTES TO THE ACCOUNTS Year ended 31 March 2003

16. BORROWINGS

The group	2003 £'000	2002 £'000
Obligations under finance leases and hire purchase contracts	541	1,275
The obligations under finance leases and hire purchase contracts are secured by the related assets and are repayable as follows:		
Due within one year	249	704
Due between two and five years	292	571
	541	1,275

17. MINORITY INTERESTS

The equity minority interests comprise 40 ordinary shares of £1 each, representing 25% of the total issued share capital, in iomart Internet Limited.

18. CALLED UP SHARE CAPITAL

The group and company	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2002 and 31 March 2003	100,000,000	1,000
Called up, allotted and fully paid		
At 31 March 2002 and 31 March 2003	53,795,614	538

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

At 31 March 2003, 24 employees, 1 director and 85 former employees held share options as follows:

	Number of shares	Exercise price per share	Date from which exercisable	Expiry date
Approved scheme	132,376	90.00p	19/4/2003	19/4/2010
	3,033	90.00p	19/4/2003	31/12/2004
	20,000	78.50p	17/8/2003	17/8/2010
	7,500	78.50p	4/9/2003	4/9/2010
	15,000	75.00p	1/11/2003	1/11/2010
	478,521	44.00p	24/1/2004	24/1/2011
	14,659	44.00p	24/1/2004	7/1/2007
	182,159	44.00p	24/1/2004	31/12/2004
	157,500	13.50p	26/9/2004	26/9/2011
	15,000	13.50p	26/9/2004	31/12/2004
	249,442	11.75p	31/10/2004	31/10/2011
	100,000	11.75p	31/10/2004	7/7/2007
	168,998	11.75p	31/10/2004	31/12/2004
	200,000	9.00p	27/2/2005	27/2/2012

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

18. CALLED UP SHARE CAPITAL (CONTINUED)

	Number of shares	Exercise price per share	Date from which exercisable	Expiry date
Enterprise management incentive scheme	367,999	6.25p	26/7/2002	26/7/2012
	429,999	6.25p	26/7/2003	26/7/2012
	350,002	6.25p	26/7/2004	26/7/2012
Unapproved scheme	40,493	44.00p	24/1/2002	24/1/2011
	40,493	44.00p	24/1/2003	24/1/2011
	40,493	44.00p	24/1/2004	24/1/2011
	15,113	44.00p	24/1/2002	7/7/2007
	15,114	44.00p	24/1/2003	7/7/2007
	15,114	44.00p	24/1/2004	7/7/2007
	3,447	44.00p	24/1/2002	31/12/2004
	3,447	44.00p	24/1/2003	31/12/2004
	3,447	44.00p	24/1/2004	31/12/2004
	226,666	13.50p	26/9/2001	26/9/2011
	26,667	13.50p	31/1/2002	26/9/2011
	26,667	13.50p	31/1/2002	26/9/2011
	50,000	11.75p	31/10/2001	31/10/2011
	33,333	6.25p	27/6/2002	27/6/2007
	33,333	6.25p	27/6/2003	27/6/2007
	33,334	6.25p	27/6/2004	27/6/2007
Other unapproved options	596,377	5.00p	11/5/2000	14/12/2008
	596,378	5.00p	11/2/2001	14/12/2008
	596,378	5.00p	11/2/2002	14/12/2008
Savings related scheme	56,509	19.20p	1/10/2004	1/4/2005

19. STATEMENT OF MOVEMENT ON RESERVES

	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
The group			
Loss for the financial period	-	-	(1,872)
Opening balance	1,200	19,087	(15,161)
Closing balance	1,200	19,087	(17,033)
The company			
Profit for the financial period	-	-	(12,938)
Opening balance	1,200	19,087	(1,044)
Closing balance	1,200	19,087	(13,982)

IOMART GROUP PLC

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

20. MOVEMENT IN SHAREHOLDERS' FUNDS

	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
The group		
Loss for the financial period	(1,872)	(7,896)
Opening shareholders' funds	5,664	13,560
Closing shareholders' funds	3,792	5,664
The company		
Opening shareholders' funds	19,781	20,399
Profit/(loss) for the financial period	(12,938)	(618)
Closing shareholders' funds	6,843	19,781

21. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
Operating loss	(2,395)	(11,837)
Depreciation	497	1,549
Amortisation of intangible assets	118	499
Write down of tangible fixed assets	230	1,452
Write down of intangible fixed assets	148	506
Loss on sale of assets	-	15
Foreign exchange translation differences	-	18
Decrease in debtors	468	907
Decrease in creditors	(888)	(942)
Net cash outflow from operating activities	(1,822)	(7,833)

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

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

	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
Returns on investments and servicing of finance		
Other interest receivable	204	587
Bank overdraft and other borrowings	(1)	(3)
Finance leases and hire purchase contracts	(32)	(257)
	<u>171</u>	<u>327</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(92)	(656)
Proceeds of disposal of fixed assets	-	135
Payments to acquire intangible fixed assets	-	(56)
	<u>(92)</u>	<u>(577)</u>
Acquisitions		
Purchase of subsidiary undertakings	-	(310)
Purchase of businesses	-	(907)
Net cash acquired with subsidiary	-	310
	<u>-</u>	<u>(907)</u>
Sale of businesses		
Sale of dial up access	-	2,960
Sale of ADSL	-	1,977
	<u>-</u>	<u>4,937</u>
Total acquisitions and disposals	<u>-</u>	<u>4,030</u>
Financing		
Capital element of finance lease rentals and hire purchase contract payments	<u>(734)</u>	<u>(1,454)</u>

IOMART GROUP PLC

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

23. ANALYSIS OF CHANGE IN NET FUNDS

	At 31 March 2002 £'000	Cash flow £'000	At 31 March 2003 £'000
Cash at bank and in hand	6,519	(2,477)	4,042
Finance leases and hire purchase	(1,275)	734	(541)
Net funds	5,244	1,743	3,501

24. PURCHASE OF SUBSIDIARY UNDERTAKINGS

	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
Net assets acquired:		
Tangible fixed assets	-	10
Cash at bank and in hand	-	310
Creditors	-	(38)
Minority interest	-	7
	-	289
Goodwill	-	21
	-	310
Satisfied by:		
Cash	-	310

25. PURCHASE OF BUSINESSES

	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
Tangible fixed assets	-	508
Debtors	-	127
	-	635
Goodwill	-	272
	-	907
Satisfied by:		
Cash	-	907

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

26. SALE OF BUSINESSES

	Year ended 31 March 2003 £'000	15 months ended 31 March 2002 £'000
Tangible fixed assets	-	163
Debtors	-	85
Creditors	-	(51)
	-	197
Write down of tangible fixed assets	-	892
Write down of intangible assets	-	239
	-	1,328
Profit on disposal	-	3,609
	-	4,937
Satisfied by:		
Cash	-	4,937

27. OPERATING LEASE COMMITMENTS

At 31 March 2003 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 31 March 2003 £'000	Other 31 March 2003 £'000	Land and buildings 31 March 2002 £'000	Other 31 March 2002 £'000
Leases which expire:				
Within one year	51	9	59	-
Within two to five years	28	10	-	6
After five years	115	-	101	-
	194	19	160	6

28. RELATED PARTY TRANSACTIONS

During the period ended 31 March 2002 a subsidiary paid rent, in respect of an agreement which terminated on 30 June 2001, of £15,000 to Adabrock Broadcasting Company, a partnership in which Angus MacSween and Bill Dobbie are partners. There were no outstanding balances at 31 March 2002. There were no transactions with Adabrock Broadcasting Company in the year ended 31 March 2003.

On 27 March 1999 a subsidiary entered into a ten year property rental agreement with Highlands and Islands Enterprise. The rent was £55,000 per annum with a two year rent free period. Neil Finlayson, who was a director of the company until 26 June 2002, was also a director of Highlands and Islands Enterprise. On 8 January 2002 the group's interest as tenant under the lease was assigned to Centrica Telecommunications Limited. There were no outstanding balances at 31 March 2002. There were no transactions with Highlands and Islands Enterprise in the year ended 31 March 2003.

All the above transactions were carried out at arms' length.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

29. FINANCIAL INSTRUMENTS

The group does not trade in financial instruments. The group has no undrawn committed borrowing facilities (31 March 2002 – nil). Short-term debtors and creditors have been omitted from all disclosures other than the currency profile. The fair value of the group's cash balances is the same as the carrying values as disclosed in the balance sheets on pages 16 and 17. Interest on floating rate bank deposits is based on the Bank of Scotland base rate plus ten basis points.

NOTICE OF 2003 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2003 annual general meeting of iomart Group plc will be held at Fleming Pavilion, Todd Campus, West of Scotland Science Park, Glasgow G20 0XA on 24 June 2003 at 12 noon, for the purpose of considering and, if thought fit, transacting the following business:-

1 Ordinary Business

- 1.1 to receive and adopt the accounts of the company and the directors' and auditors' reports thereon for the year ended 31 March 2003;
- 1.2 to reappoint Sarah Haran as a director of the company;
- 1.3 to reappoint Nick Kuenssberg as a director of the company;
- 1.4 to reappoint Deloitte & Touche, Chartered Accountants, as auditors of the company and to authorise the directors to fix their remuneration;
- 1.5 to approve the report of the board to the members on directors' remuneration for the year ended 31 March 2003.

2 Special Business

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

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

- (a) the maximum nominal amount of relevant securities to be allotted in pursuance of such authority shall be £225,781; and
- (b) this power shall expire, unless sooner revoked or varied by the company, on the conclusion of the next annual general meeting of the company or the expiry of the period of 15 months from the date of the passing of this resolution whichever is the earlier, save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

And

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

- 3 that the directors be and are hereby empowered pursuant to section 95(1) of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by resolution 2 above as if Section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to:-
 - (a) an offer and allotment of equity securities by way of rights in favour of holders of ordinary shares where the equity securities respectively attributable to the interest of all such holders are proportionate (as nearly as may be) to the respective number of ordinary shares held, or deemed to be held, by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and
 - (b) the allotment (otherwise than pursuant to (a) above) of equity securities up to an aggregate nominal amount of £53,795;

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provided that this authority shall expire, unless sooner revoked or varied by the company, on the conclusion of the next annual general meeting of the company or the expiry of the period of 15 months from the date of the passing of this resolution whichever is the earlier, unless sooner revoked or varied by the company in general meeting and save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

By order of the board



Stewart Moir

Company Secretary

20 May 2003

Fleming Pavilion, Todd Campus

West of Scotland Science Park

Glasgow G20 0XA

Notes

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