100% Uptime

Annual Report and Accounts 2011

"Our confidence in iomart Hosting is critical to our business, if we can't provide our service, there's a real risk that vulnerable people will not receive the care they require."

Ian McMullon, Managing Director, PeoplePlanner

Financial Statements for year ended 31March 2011

Highlights

Financial

- Adjusted EBITDA growth of 113% to £6.6m (2010: £3.1m)
- Profit before tax growth of 618% to £2.8m (2010: £0.4m*)
- Revenue growth of 38% to £25.3m (2010: £18.3m)
- Cashflow from operations growth of 82% to £7.1m (2010: £3.9m)
- Basic earnings per share from operations increased by 137% to 2.91p (2010: 1.23p**)
- Proposed final dividend increased by 63% to 0.65p per share (2010: 0.4p per share)

Operational

- iomart Hosting customer base increased by over 60% with substantial increase in sales of cloud based solutions
- Additional 7,000 sq ft of space fully fitted out in Maidenhead datacentre
- Acquisition of Titan Internet Limited for £4.2m in October 2010 adds strong customer base and additional virtualisation expertise
- Introduction of additional cloud products to address back up, storage, email and archiving
- Acquisition of Switch Media Limited for £1.2m post year end, adding customers to Easyspace

iomart
100% Uptime

* Profit before tax of £1.3m in 2010 included a net gain on reduction in deferred consideration of £0.9m. Excluding this gain, the profit before tax would have been £0.4m in 2010.

** Reported basic earnings per share of 2.12p in 2010 was based on profit after tax of £2.1m which included a net gain on reduction of deferred consideration of £0.9m. Excluding this gain, earnings per share would have been 1.23p in 2010.

EBITDA Growth
113%
to £6.6M

PBT Growth
618%
to £2.8M

Revenue Growth
38%
to £25.3M

Dividend Growth
63%
to 0.65p/share

Operating Cash Growth
82%
to £7.1M

“We wanted a website that had a real design edge to it that showed off the branded quality products we had chosen in the best possible light. Easyspace did just that.”

Maria Parpas, Owner, Bathbox

Contents

"Having the ability to deliver client software and our cloud-based management console from iomart Hosting's infrastructure gives us a definite competitive and operational edge in a market where reliability is paramount, and security even more so."

Tom Colvin, Chief Technology Officer, Conseal Security

"The increasing demand for cloud services plays firmly to our strengths with our extensive experience in the successful provision of a wide range of hosting, virtual computing, storage and security services over many years."

Ian Ritchie, Chairman

The Group has enjoyed another very successful year. That success is a result of a great deal of hard work and consolidates our position as one of the UK's leading managed hosting operators.

Having moved into profitability in the previous financial year we have seen that level of profitability more than double over this year and we have now laid very firm foundations for continued growth. Our organic growth, especially from our Hosting segment, has been very pleasing and we have added to that with the acquisition of Titan Internet Limited during the year and also with the acquisition of Switch Media Limited after the year end. We are confident that both will be excellent acquisitions for our Group.

The increasing demand for cloud services plays firmly to our strengths with our extensive experience in the successful provision of a wide range of hosting, virtual computing, storage and security services over many years. We are in the position of owning and operating our own datacentre infrastructure and networks which we believe provides us with a significant advantage over our competitors.

As ever the commitment, enthusiasm and energy of our senior management team and all of our employees is essential in delivering this success. I thank them all on behalf of the Board and the shareholders.

As I indicated last year we are committed to rewarding shareholders with dividends as we deliver improved performance. Accordingly, the Board is proposing to pay a final dividend of 0.65p per share on 5 October 2011 to shareholders on the register on 10 June 2011 an increase of 63% over the dividend last year. We have decided that we will offer shareholders the option to participate in a Dividend Reinvestment Plan (DRIP) as an alternative to receiving cash. Details of the DRIP scheme will be distributed with the Annual Accounts in due course. I can also reconfirm that it is our intention, depending on the underlying profitability and cash generation of the business, to continue to pay annual dividends.

We begin the 2012 financial year in a strong position and I look forward to another exciting year of growth, both organically and through acquisition, for the Group. We can look ahead with considerable confidence.

Ian Ritchie
Chairman
31 May 2011

"We begin the 2012 financial year in a strong position and I look forward to another exciting year of growth, both organically and through acquisition, for the Group."

"At iomart we have built our technologies from the ground up specifically to be delivered via the cloud. As a result we are becoming recognised as an authority on the provision of cloud-hosting solutions and are well positioned to take advantage as the market evolves and people look for reliable vendors."

Angus MacSween, Chief Executive Officer

Introduction

I am once again delighted to report another excellent year of trading for the Group. Having broken into profitability in our last financial year, we have more than doubled our profitability in this year with adjusted EBITDA of £6.6m (2010: £3.1m) which is at the top end of the upgraded market expectations. This significant increase in profitability resulted from increased sales to both new and existing customers, with revenues growing by 38% to £25.3m (2010: £18.3m). In addition we substantially increased our cash generation in the year with cashflow from operations totalling £7.1m (2010: £3.9m).

We continue to see a growing trend for the outsourcing of infrastructure and services to reliable suppliers with cloud computing expertise and experience. We are now recognised as a leading player in the hosting/cloud/managed services arena.

Whilst cloud computing and cloud-based services have become the buzzwords du jour, it's important to understand the realities beyond the hype. Many companies are adding the 'cloud' tag to whatever they do in the hope of some halo effect but many do not have reliable or well tested delivery mechanisms and are trying to shoehorn legacy technology into some form of online delivery. At iomart we have built our technologies from the ground up specifically to be delivered via the cloud and are ideally positioned to take advantage of the shift to cloud computing. We are continuing to expand our range of services to meet the market demand through the introduction of products to provide back up; storage; email and archiving as cloud based services.

During the year the Group grew through both organic and acquisitive means. We were delighted to welcome Titan Internet to the Group in October 2010. The acquisition provides the Group with an excellent customer base and a highly skilled and motivated workforce with particular expertise in virtualisation technology. After the year-end on 26 April 2011 we acquired Switch Media, an organisation that provides similar services to our Easyspace segment concentrating on providing services to newly created companies in the UK and the Republic of Ireland. We expect both to contribute to the ongoing profit growth of the Group as we fully exploit the integration synergies available.

Operational Review

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

Hosting

The Hosting segment has performed very well over the year. Its revenue growth has led to a substantial increase in adjusted EBITDA due to the operational gearing we are able to

"We have continued to invest in our datacentre infrastructure, our people and our products giving us an ideal platform from which to move forward. We are in a market that is growing and that is here to stay and we fully expect to participate strongly in that growth."

leverage. The adjusted EBITDA for the year from the Hosting segment was £6.2m (2010: £2.8m) an increase of 124%. This increase includes the impact of the acquisition of Titan without which the increase would have been 106%.

Our hosting segment provides a range of managed hosting services, increasingly with an element of cloud or virtual computing, to SMEs and corporate customers. We address different market segments with different brands but all 'sweating' the same physical infrastructure and network. Complex hosting solutions to corporate customers are provided by iomart Hosting in a consultative sales process; dedicated server hosting to SMEs is marketed online by Rapidswitch and cloud security services to the large corporate and education sector through Netintelligence. In addition, Titan has been fully integrated into our Hosting segment providing managed hosting solutions, with a high degree of virtualisation, to SMEs and corporate customers.

The Hosting segment has seen revenue growth of 61% to £17.7m including the impact of the acquisition of Titan for the last five months of the year. The organic growth in this segment excluding Titan was an impressive 47% with the majority of this growth coming from the activities of iomart Hosting. We have won over 400 new orders in the year, many of which were additional orders from existing customers. Increasingly, these orders contain some aspects of cloud or virtual computing within the overall solution and we are becoming recognised as an authority on the provision of cloud hosting solutions as that market opportunity evolves.

We have continued to invest in our datacentre estate over the year. We clearly have a competitive advantage through the ownership of our own datacentre capacity and we completed the fit out of a further 7,000 square feet of datacentre space in Maidenhead during the year.

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 continued to perform well against its peers.
In a competitive market we have continued to increase revenues and profitability. Revenues have grown by 3% over the year to £7.6m and the adjusted EBITDA margin has increased from 35% last year to 37% this year, having been 30% in the year before last. The margin increase is largely as a result of the continued implementation of operational efficiencies within this segment.

Current Trading and outlook

The first two months of trading in the new financial year have been good and in line with expectations.

We are in a market that is both growing and we believe is here to stay. Combining the strength and resilience of our strong asset base with our technical expertise and commitment to customer uptime we fully expect to continue the growth we have seen in the last two years which we will achieve through both organic expansion and through the acquisition of businesses which we consider to be complementary to the Group.

I look forward with confidence to the year ahead

Angus MacSween
Chief Executive Officer
31 May 2011

* Throughout the Chief Executive Officer, Finance Director and Directors' reports adjusted EBITDA for March 2011 is earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges and costs associated with acquisitions and for March 2010 is earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges and gain on reduction of deferred consideration.

"In the last two financial years the Hosting segment has grown revenues, through both organic and acquisitive means, from £4.6m in the year to March 2009 to £17.7m this year, an almost four fold increase."

Richard Logan, Finance Director

Trading Results

Revenues for the year of £25.3m (2010: £18.3m) have grown by 38% with both of our operating segments having contributed to this growth.

The majority of the revenue growth was delivered by our Hosting segment. Revenues in the year from this segment of £17.7m (2010: £11.0m) grew by 61%. This growth was helped by the contribution from Titan Internet Limited which we acquired at the end of October. The growth in Hosting segment revenues excluding the impact of Titan was 47%. In the last two financial years the Hosting segment has grown revenues, through both organic and acquisitive means, from £4.6m in the year to March 2009 to £17.7m this year, an almost four fold increase.

Our Easyspace segment continues to perform well in a very competitive market and revenues from this segment of £7.6m (2010: £7.4m) grew by 3%.

Our gross margin, which is calculated by deducting our variable cost of sales such as domain name costs, power charges and sales commission and the relatively fixed costs of operating our datacentres from revenue, was £15.6m (2010: £10.5m). This very significant increase was substantially a direct result of the contribution made from the additional revenues delivered by our Hosting segment. In percentage terms the gross margin improved to 62% (2010: 57%) demonstrating the high operational leverage of the Hosting segment. Easyspace has maintained its gross margin percentage at a similar level to the previous year. The Hosting segment continues to deliver an improved gross margin percentage through increased sales revenues whilst its fixed costs of operations remain unchanged. The addition of Titan into the Hosting segment for the last five months of the financial year has helped to improve the absolute level of gross margin and in percentage terms has contributed at a similar level to the rest of the Hosting segment operations.

The adjusted EBITDA for the year of £6.6m (2010: £3.1m) has also shown a very high level of growth. Our percentage adjusted EBITDA margin has also significantly improved to 26% (2010: 17%). Once again both of our operating segments have contributed to both the absolute growth and the improvement in the percentage margin in adjusted EBITDA.

The Hosting segment's adjusted EBITDA was £6.2m (2010: £2.8m) an increase of 124%. In percentage terms the adjusted EBITDA margin has improved to 35% (2010: 25%). This greatly improved performance is a direct result of the additional gross margin delivered by the increase in sales revenue from the Hosting segment offset by an increase in administrative expenses. Administrative expenses have increased as we have continued to invest in additional resources within the Hosting segment during the year to support the high level of revenue growth that has been achieved. As a result we have increased these costs, mainly through the introduction of additional headcount, especially in sales and technical roles. The contribution from Titan since November has contributed to the improvement in the adjusted EBITDA in absolute terms and has helped maintain the percentage margin improvement.

The Easyspace segment's adjusted EBITDA was £2.8m (2010: £2.6m) an increase of 8%. In percentage terms the adjusted EBITDA margin has improved to 37% (2010: 35%). The improvement in adjusted EBITDA is the result of the additional gross margin contributed from the increased sales revenues together with reduced administrative expenses as we continue to run the operation more efficiently.

Group overheads, which are not allocated to segments, include the cost of the Board; the running costs of the headquarters in Glasgow; Group marketing, human resource, finance and design functions; and legal and professional fees for the year. These overhead costs have increased slightly to £2.3m (2010: £2.2m).

"The Group continues to invest in both its datacentre infrastructure and in the equipment required to provide managed services to both its existing and new customers".

Share based payment charges in the period of £0.3m (2010: £0.4m) have decreased as a result of both the lapsing of share options and share options issued in previous periods having been fully charged to the statement of comprehensive income. Under IFRS 3 (revised) it is no longer permissible to include costs incurred on professional fees during an acquisition as part of the overall cost of the balance sheet investment. Consequently, during the period we incurred costs of £0.2m (2010: £nil) in respect of professional fees for the acquisition of both Titan Internet Limited and Switch Media Limited.

Depreciation charges of £2.7m (2010: £1.8m) have increased largely as a result of charges for the additional equipment bought to provide services to the additional Hosting segment customers and also as a consequence of the acquisition of Titan.

The charge for amortisation of intangibles of £0.7m (2010: £0.5m) has increased as a result of the acquisition of Titan which has resulted in the recognition of additional intangible assets which are being amortised over their estimated useful lives.

Finance income in the period of £0.2m (2010: £0.1m) includes interest earned on the deferred consideration due to the Group from a disposal in a previous year which was received during the period and also interest due on a lease rental deposit. Finance costs of £0.2m (2010: £0.1m) includes interest on bank loans used to fund the Titan acquisition and also interest on finance leases which are used to fund the purchase of some of the capital equipment needed to provide services to customers.

After deducting the charges for share based payments, acquisition related costs, depreciation, amortisation and finance costs and crediting the finance income from the adjusted EBITDA the Group's profit before tax was £2.8m (2010: £1.3m, including a net gain of £0.9m arising from the renegotiation of deferred consideration payable).

There is a tax credit for the year of £0.1m (2010: £0.8m) arising from a deferred tax credit of £0.2m (2010: £0.8m) offset by a corporation tax charge of £0.1m (2010: £nil) resulting in a profit for the year from total operations of £2.9m (2010: £2.1m, including a net gain of £0.9m arising from the renegotiation of deferred consideration payable and a tax credit of £0.8m).

Earnings per share

Basic earnings per share from continuing operations was 2.91p (2010: 2.12p) an increase of 37% over the year. However, in the year to March 2010 the earnings per share calculation included the effect of the exceptional net gain arising from the renegotiation of deferred consideration payable of £0.9m. Excluding this from the calculation would result in a revised basic earnings per share of 1.23p for March 2010 and thus a 137% increase over this financial year.

Acquisitions

In October 2010 the company acquired Titan Internet Limited for a maximum consideration of £4.2m of which £3.6m was paid during the year. On 26 April 2011, post year end, the company acquired Switch Media Limited for a maximum consideration of £1.2m, of which £1.0m was paid at the time of the acquisition.

Cash flow and net cash

Net cash flows from operating activities

The Group continued to generate high levels of operating cash over the year. Cash flow from operations was £7.1m (2010: £3.9m) with the significant increase over the previous year's level largely due to the improvement in adjusted EBITDA and also helped by cash received from the provision of Netintelligence in the Universal Home Access project. It is a feature of our operations that in many instances the Group generates cash in advance of revenue recognition and consequently carries a substantial amount of deferred revenue in its statement of financial position. After deducting a small cash payment for corporation tax in respect of the operations of Rapidswitch the net cash flow from operating activities was £7.0m (2010: £3.7m).

Cashflow from investing activities

In line with our strategy the Group continues to spend substantial sums on investing activities, having invested a total of £7.1m (2010: £11.0m) in the period. Of this amount a net sum of £3.3m (2010: £8.3m) was incurred in relation to acquisition activities. The single biggest investment related to the acquisition of Titan Internet Limited in October 2010 for a net initial amount of £3.1m being the payment of £3.6m made at the time of the acquisition net of the £0.5m bank balance held in Titan at that time. In addition the Group settled the final amount of deferred consideration due on the acquisition of iomart Datacentres Limited (formerly known as Ezee DSL Limited) of £1.0m and received the amount of deferred consideration due in respect of the disposal of Ufindus Limited in July 2008 of £0.8m, net of related costs.

The Group continues to invest in both its datacentre infrastructure and in the equipment required to provide managed services to both its existing and new customers. During the year the Group invested £3.4m (2010: £2.3m) in such activities, net of related finance lease drawdown, including the fit out of 7,000 sq ft of datacentre space in Maidenhead at a cost of £1.2m.

Expenditure was also incurred on development costs of £0.4m (2010: £0.3m) and the purchase of software of £0.2m (2010: £0.1m).

Finally, the Group received interest in the period of £0.2m (2010: £0.2m) which included interest on the deferred consideration received during the period.

Cashflow from financing activities
The Group's financing activities generated a net cash inflow of £1.2m (2010: expenditure of £0.9m) over the year. The issue of new shares, due to the exercise of share options by staff generated £0.5m (2010: £nil) and the Group also drew down £2.0m of bank loans to help fund the purchase of Titan. The Group spent £0.8m (2010: £0.4m) repaying finance leases, £0.4m (2010: £0.3m) on dividends and £0.1m (2010: £0.1m) on interest.

Net cashflow
As a consequence our overall cash generation during the year was £1.1m (2010: expenditure of £8.2m) which resulted in cash and cash equivalent balances at the end of the year of £6.9m (2010: £5.7m). After recognising bank loans of £2.0m (2010: £nil) and finance lease obligations of £1.8m (2010: £1.3m) net cash balances at the end of the period stood at £3.1m (2010: £4.4m).

Financial position
The Group is now in a position where it is generating substantial amounts of operating cash. The generation of that cash flow together with the bank loan facility for acquisitions and capital expenditure of £10m, of which £3.0m has been drawn down, including the £1.0m drawn down after the year end and finance lease facilities for capital expenditure, provides the Group with the liquidity it requires to continue its 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
31 May 2011

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 on Corporate Governance issued by the Financial Reporting Council 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. For the executive directors, there may be an opportunity to sacrifice their potential bonus in exchange for a payment into a pension plan.

- 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

Executive directors are entitled to participate in the Company's Joint Share Ownership Plan (JSOP).

- 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 (this information has been audited)
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 2011 Total	Year ended 31 March 2010 Total
	£	£	£	£	£	£
Angus MacSween	200,000	95,000	1,673	120,000	416,673	326,996
Chris Batterham	30,000	-	-	-	30,000	30,000
Sarah Haran	130,000	117,000	400	13,000	260,400	233,947
Richard Logan	150,000	75,000	1,513	15,000	241,513	223,444
Ian Ritchie	50,000	-	-	-	50,000	50,000
Fred Shedden	30,000	-	-	-	30,000	30,000
	590,000	**287,000**	**3,586**	**148,000**	**1,028,586**	**894,387**

Directors' interests in shares
The interests of the directors in the shares of the company at 31 March 2011, together with their interests at 1 April 2010 were as follows:

	Number of ordinary shares 31 March 2011	At 1 April 2010
Name of director		
Angus MacSween	19,336,304	19,686,304
Chris Batterham	90,621	90,621
Sarah Haran	1,124,944	1,224,944
Richard Logan	100,500	135,500
Ian Ritchie	151,400	151,400
Fred Shedden	764,588	764,588

The shareholdings for Angus MacSween, Sarah Haran and Richard Logan exclude shares held under the Company's Joint Share Ownership Plan (JSOP), in which the directors are beneficial co-owners of shares. Details of such shareholdings are given below.

Directors' interests in shareholdings of Joint Share Ownership Plan (this information has been audited)
The interests of the directors in the JSOP shares are as follows:-

Name of director	Award Date	Market Price at date of Award	Initial Participation Price	Current Participation Price	Vesting Date	Number of shares	Date from which exerciseable	Expiry date
Angus MacSween	31/03/2010	49.5p	49.5p	51.0p	31/03/2010	356,990	31/03/2010	06/10/2018
	31/03/2010	49.5p	78.5p	78.5p	31/03/2010	322,612	31/03/2010	17/11/2014
	31/03/2010	49.5p	49.5p	51.0p	31/03/2011	350,000	31/03/2011	06/10/2018
	31/03/2010	49.5p	49.5p	51.0p	31/03/2012	450,000	31/03/2012	06/10/2018
						1,479,602		
Sarah Haran	31/03/2010	49.5p	50.5p	52.0p	31/03/2010	414,018	31/03/2010	27/09/2017
	31/03/2010	49.5p	78.5p	78.5p	31/03/2010	177,867	31/03/2010	17/11/2014
	31/03/2010	49.5p	49.5p	51.0p	31/03/2010	357,087	31/03/2010	06/10/2018
	31/03/2010	49.5p	49.5p	51.0p	31/03/2011	350,000	31/03/2011	06/10/2018
	31/03/2010	49.5p	49.5p	51.0p	31/03/2012	450,000	31/03/2012	06/10/2018
						1,748,972		
Richard Logan	31/03/2010	49.5p	49.5p	51.0p	31/03/2010	221,505	31/03/2010	06/10/2018
	31/03/2010	49.5p	50.5p	52.0p	31/03/2010	500,000	31/03/2010	27/09/2017
	31/03/2010	49.5p	49.5p	51.0p	31/03/2011	350,000	31/03/2011	06/10/2018
	31/03/2010	49.5p	49.5p	51.0p	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. Certain of the JSOP shares are 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 2012 are subject to continuous employment criteria.

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 (this information has been audited)
The interests of the directors at 31 March 2011 in options over the ordinary shares of the company were as follows:

Name of director	At 1 April 2010	Exercised	Surrendered	Lapsed	At 31 March 2011	Exercise price	Date of Grant	Date from which exerciseable	Expiry date
Angus MacSween	127,388	-	-	-	127,388	78.5p	17/11/2004	17/11/2007	17/11/2014
	43,010	-	-	-	43,010	46.5p	06/10/2008	31/03/2009	06/10/2018
	170,398	-	-	-	170,398				
Sarah Haran	72,133	-	-	-	72,133	78.5p	17/11/2004	17/11/2007	17/11/2014
	85,982	-	-	-	85,982	50.5p	27/09/2007	27/09/2010	27/09/2017
	42,913	-	-	-	42,913	46.5p	06/10/2008	31/03/2009	06/10/2018
	201,028	-	-	-	201,028				
Richard Logan	50,000	-	-	-	50,000	74.0p	24/08/2006	24/08/2009	24/08/2016
	150,000	-	-	-	150,000	46.5p	06/10/2008	31/03/2009	06/10/2018
	28,495	-	-	-	28,495	46.5p	06/10/2008	31/03/2010	06/10/2018
	228,495	-	-	-	228,495				

No share options were exercised 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 91.00p and the range of prices during the period was between 44.50p and 99.75p.

By order of the board

Fred Shedden
Chairman, Remuneration committee
31 May 2011

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 2011.

Principal activity

The principal activity of the Group is the provision of cloud computing 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

	2011	2010
Revenue	£25.3m	£18.3m
Growth	38% increase	55% increase

Revenue from continuing operations grew by 38% over the year compared to a growth of 55% in the previous year. The Hosting segment grew revenues by 61% (2010: 139%) and the Easyspace segment by 3% (2010: 2%).

	2011	2010
Adjusted EBITDA	£6.6m	£3.1m
Adjusted EBITDA margin	26%	17%

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 Titan Internet Limited which was acquired during the year. Easyspace has also contributed to the adjusted EBITDA margin improvement through increased revenues and operational efficiencies.

Financial instruments

The Group's financial instruments comprise cash and liquid resources, bank loans and finance leases together with various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations. In June 2010 the Group obtained a multi option revolving credit facility of £10m which was made available in order to finance business acquisitions and to finance capital expenditure. In order to fund the acquisition of Titan Internet Limited, £2m of this facility was drawn down in November 2010. The main risk to the Group is interest rate risk arising from floating rate interest rates. The Group's borrowings at 31 March 2011 comprise finance leases totalling £1.8m (2010: £1.3m) and a bank loan totalling £2.0m (2010: £nil). The interest rates on the finance leases are fixed for the term of the lease at between 5.0% and 12.2% and the average interest rate was 6.9% (2010: 6.1%). The interest rate on the bank loan is fixed for the term of the loan which is 6 months at 3.0% per annum excluding any draw down fees and the average annual interest rate during the year was 3.0% (2010: nil). 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 have not declared an interim dividend for the year ended 31 March 2011 (2010: 0.4p per share). The directors recommend a final dividend for the year ended 31 March 2011 of 0.65p per share (2010: nil).

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, Sarah Haran and Chris Batterham 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 23 May 2011 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
Angus MacSween	19,336,304	19.58%
Legal & General Investment Management	12,885,000	13.05%
Gartmore Investment Limited	12,348,325	12.50%
Majedie Asset Management	8,185,101	8.29%
British Steel Pension Scheme	4,268,103	4.32%
Universities Superannuation Scheme	4,169,000	4.22%
River & Mercantile Asset Management	3,938,200	3.99%
Bill Dobbie	3,361,369	3.40%
Liontrust Asset Management	3,294,767	3.34%

Transactions in own shares

At 31 March 2011 the iomart Group plc Employee Benefit Trust held 4,977,184 shares (2010: 4,977,184) 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 2011 were 24 days (2010: 23 days), and of the company were 2 days (2010: 4 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 auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

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

31 May 2011

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.

"iomart is currently enjoying the sort of momentum that could soon place it on the list of European heavyweights."

Tier1 Research (T1R) June 2011

Board of Directors

Ian Ritchie
60, 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
54, 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
56, 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, office2office plc and The Risk Advisory Group. He is also chairman of Eckoh plc. Chris has also served on the boards of Staffware plc, DBS Management plc, DRS plc, Betfair Limited and The Invesco Techmark Enterprise Trust plc.

Sarah Haran
45, 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
53, 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
66, appointed 2000; senior independent director of Murray International Trust plc and formerly 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 2011 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, 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 and express an opinion on 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/private.cfm.

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 2011 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:
Under the Companies Act 2006 we are required 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 2011.

Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
31 May 2011

Consolidated Statement of Comprehensive Income

Year ended 31March 2011

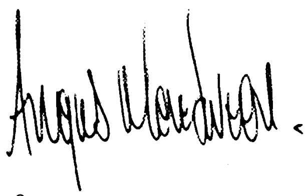
	Note	2011 £'000	2010 £'000
Revenue		25,252	18,327
Cost of sales	4	(9,699)	(7,830)
Gross profit		**15,553**	**10,497**
Administrative expenses	4	(12,780)	(10,119)
Operating profit		**2,773**	**378**
Analysed as:			
Earnings before interest, tax, depreciation, amortisation, share based payments, acquisition costs and net gain on reduction of deferred consideration		**6,644**	**3,112**
Share based payments	24	(290)	(379)
Acquisition costs		(195)	-
Depreciation	4	(2,689)	(1,846)
Amortisation	4	(697)	(509)
Gain on reduction of deferred consideration on business combination		-	1,000
Associated costs on gain on reduction of deferred consideration		-	(135)
Finance income	6	197	77
Finance costs	6	(178)	(66)
Profit before taxation		**2,792**	**1,254**
Taxation	8	70	816
Profit for the year from total operations		**2,862**	**2,070**
Total comprehensive income for the year		**2,862**	**2,070**
Attributable to equity holders of the parent		**2,862**	**2,070**
Basic and diluted earnings per share			
Total operations			
Basic	11	2.91 p	2.12 p
Diluted	11	2.85 p	2.12 p

Consolidated Statement of Financial Position

31March 2011

	Note	2011 £'000	2010 £'000
ASSETS			
Non-current assets			
Intangible assets – goodwill	12	23,952	20,723
Intangible assets – other	12	1,978	1,008
Deferred tax asset	9	619	604
Lease deposit	13	2,016	1,216
Property, plant and equipment	15	14,788	12,276
		43,353	**35,827**
Current assets			
Cash and cash equivalents	17	6,864	5,715
Deferred consideration receivable on disposal	18	-	914
Trade and other receivables	16	3,100	2,937
		9,964	**9,566**
Total assets		**53,317**	**45,393**
LIABILITIES			
Non-current liabilities			
Non-current borrowings	21	(920)	(834)
		(920)	**(834)**
Current liabilities			
Deferred and contingent consideration due on acquisitions	20	(600)	(1,000)
Trade and other payables	19	(10,047)	(7,489)
Current borrowings	21	(2,846)	(480)
		(13,493)	**(8,969)**
Total liabilities		**(14,413)**	**(9,803)**
Net assets		**38,904**	**35,590**
EQUITY			
Share capital	23	1,038	1,028
Own shares		(2,464)	(2,464)
Capital redemption reserve		1,200	1,200
Share premium		19,977	19,514
Retained earnings		19,153	16,312
Total equity		**38,904**	**35,590**

These financial statements were approved by the board of directors on 31 May 2011.
Signed on behalf of the board of directors



Angus MacSween
Director and chief executive officer

Consolidated Statement of Cash Flows

Year ended 31March 2011

	Note	2011 £'000	2010 £'000
Profit before taxation		**2,792**	**1,254**
Gain on reduction of deferred consideration - net		-	(865)
Finance income - net	6	(19)	(11)
Depreciation	4	2,689	1,846
Amortisation	4	697	509
Share based payments	24	290	379
Movement in lease deposits	13	(800)	(332)
Movement in trade receivables		194	(63)
Movement in trade payables		1,211	1,169
Cash flow from operations		**7,054**	**3,886**
Taxation paid		(12)	(164)
Net cash flow from operating activities		**7,042**	**3,722**
Cash flow from investing activities			
Purchase of property, plant and equipment	15	(3,419)	(2,341)
Capitalisation of development costs	12	(351)	(281)
Purchase of intangible assets - software	12	(197)	(69)
Payment for acquisition of business net of cash acquired	10	(3,144)	(5,303)
Repayment of borrowings on acquisition of business		-	(226)
Deferred consideration paid on prior period acquisition		(1,000)	(2,935)
Receipt from disposal of discontinued operation	18	795	-
Interest received	6	237	172
Net cash used in investing activities		**(7,079)**	**(10,983)**
Cash flow from financing activities			
Issue of shares	23	473	41
Bank loans	21	2,000	-
Repayment of finance leases	21	(759)	(396)
Repayment of borrowings	10	-	(222)
Interest paid		(137)	(66)
Dividends paid	7	(391)	(291)
Net cash received from / (used in) financing activities		**1,186**	**(934)**
Net increase/(decrease) in cash and cash equivalents		**1,149**	**(8,195)**
Cash and cash equivalents at the beginning of the year		5,715	13,910
Cash and cash equivalents at the end of the year	**17**	**6,864**	**5,715**

Consolidated Statement of Changes in Equity

Year ended 31March 2011

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 2009		1,002	-	(678)	1,200	17,583	14,284	33,391
Profit in the year and total comprehensive income		**-**	**-**	**-**	**-**	**-**	**2,070**	**2,070**
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)**
Total transactions with owners		**26**	**(2,464)**	**678**	**-**	**1,931**	**(42)**	**129**
Balance at 31 March 2010		**1,028**	**(2,464)**	**-**	**1,200**	**19,514**	**16,312**	**35,590**
Profit in the year and total comprehensive income		**-**	**-**	**-**	**-**	**-**	**2,862**	**2,862**
Dividends – interim (paid)	7	-	-	-	-	-	(391)	**(391)**
Share based payments	24	-	-	-	-	-	290	**290**
Deferred tax on share based payments		-	-	-	-	-	80	**80**
Issue of shares for option redemption		10	-	-	-	463	-	**473**
Total transactions with owners		**10**	**-**	**-**	**-**	**463**	**(21)**	**452**
Balance at 31 March 2011		**1,038**	**(2,464)**	**-**	**1,200**	**19,977**	**19,153**	**38,904**

iomart Hosting's Customer Control Panel displays power usage and CO_2 emissions in real time, giving customers the data required to make informed choices about their environmental impact.

BCS Finalist Environmental Project of the Year

Notes to the Financial Statements

Year ended 31March 2011

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 UK Pounds Sterling because that is the currency of the primary economic environment in which the Group and its subsidiaries operates.

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

IFRS 3 Business Combinations (revised 2008). The revised standard on business combinations has introduced major changes to the accounting requirements for business combinations. It continues to apply the acquisition method to business combinations but the following are the most significant changes the new standard has introduced which have impacted the Group's acquisition in the current year:

- Acquisition-related costs of the combination such as professional fees are recorded as an expense in profit or loss. Previously, these costs would have been accounted for as part of the cost of acquisition; and

- Contingent consideration is measured at fair value at the acquisition date. If the contingent consideration arrangement gives rise to a financial liability, any subsequent changes are recognised in profit or loss. Previously, contingent consideration was recognised only once its payment was probable and changes were recognised as an adjustment to goodwill.

IFRS 3R has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. For the year ended 31 March 2011, the adoption of IFRS 3R has affected the accounting for the Group's acquisition of Titan Internet Limited (note 10) and in respect of the costs incurred in relation to the post year acquisition of Switch Media Limited up to the end of the financial year by increasing the Group's expenses related to acquisition costs by £0.2m. The current tax expense and both basic and diluted earnings per share have not been materially impacted.

Business combinations for which the acquisition date is before 1 January 2010 have not been restated.

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 27 Consolidated and Separate Financial Statements (revised 2008).

- Amendment to IAS 32 Classification of Rights Issues.

- IFRIC 17 Distributions of Non-cash Assets to Owners.

- IFRIC 18 Transfers of Assets from Customers.

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

IFRS 9 Financial Instruments (effective 1 January 2013). IFRS 9 introduces new requirements for classifying and measuring financial assets and these new requirements will impact the disclosure and carrying values of financial assets.

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 24 (revised 2009) Related Party Disclosures.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

- Amendments to IAS 12 Income Taxes Deferred Tax: Recovery of Underlying Assets.

- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement.

- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets.

Summary of Accounting Policies

Basis of consolidation

The Group financial statements consolidate those of the company and all of its subsidiary undertakings drawn up to 31 March 2011. 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 acquisition method. The acquisition 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 statement of financial position 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 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. Revenue from the provision of domain names is recognised at the time the title to the domain name passes.

Interest

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

Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is capitalised on the consolidated statement of financial position and subject to an annual impairment test. The carrying value of goodwill is cost less accumulated impairment losses and is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose. Impairment reviews are carried out by the Board at least annually. Impairments to goodwill are charged to the statement of comprehensive income in the period which they arise.

Customer relationships

Customer relationships are recognised only on acquisition. The fair value is derived based on discounted cash flows from estimated recurring revenue streams. The carrying value is stated at fair value at acquisition less accumulated amortisation and impairment losses. The useful economic life is assessed on an individual basis. Amortisation is charged over the useful life of the relationships in proportion to the estimated future cash flows, a period which does not generally exceed five years.

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 consolidated statement of comprehensive income.

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 statement of comprehensive income.

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 statement of comprehensive income over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income 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.

Borrowings

Borrowings are initially stated at the amount of the net proceeds after deduction of any issue costs. The carrying amount is increased by the finance costs in respect of the accounting period and reduced by payments made in the period. Borrowings are subsequently stated at amortised cost, any difference between the periods (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Reinstatement costs

At the inception of the leases and annually thereafter, the Directors assess the cost of restoring leasehold premises to their original condition at the end of the lease and the likelihood of such costs actually being incurred. If the likelihood of this liability arising is judged as probable, the discounted cost of the liability is included in leasehold improvements and is depreciated over the duration of the lease. The discount arising on the provision is amortised in future years through interest. If the likelihood of this liability arising is judged to be possible, rather than probable, it is disclosed as a contingent liability. When assessing the likely duration of the lease and the likelihood of this liability arising, the Directors take into account their contractual and statutory rights to renew or extend the lease terms.

Income taxes

The tax expense recognised in the statement of comprehensive income comprises the sum of deferred tax and current tax not recognised 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 statement of comprehensive income, except where they relate to items that are recognised directly in equity (such as share based remuneration) in which case the related deferred tax is also recognised in equity.

Financial assets

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

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 statement of comprehensive income.

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 statement of comprehensive income. 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 statement of comprehensive income. 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 statement of comprehensive income. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the statement of comprehensive income 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 statement of comprehensive income. Forward foreign exchange contracts used to hedge the Group's exposure to foreign currency transactions are fair valued at the balance date and the gain or loss is recognised in the statement of comprehensive income 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.

Capital policy

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure that optimises the cost of capital. In order to maintain or adjust the capital structure, the Group may return or issue new capital or acquire its own shares or adjust the amount of dividends paid to shareholders. The Group may also make use of bank facilities for acquisitions or capital expenditure and finance leases for capital expenditure.

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.

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.
- "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 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 statement of comprehensive income 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 statement of comprehensive income 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.

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 judgements and sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance 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

As the Group continues to implement its acquisition strategy there is a requirement to fair value the assets and liabilities of any business acquired during the year. Within these adjustments consideration has been given to the valuation of intangible assets including customer relationships and brand. The valuation of customer relationships is based on the value in use calculation which requires estimates of the future cash flows expected to arise from the existing customer relationships over their useful life and to select a suitable discount rate in order to calculate the present value. Full details of the assumptions used in the calculation of intangible assets and fair value adjustments on the acquisition that has occurred during the current year are disclosed in note 10.

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 shared 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, Titan Internet and iomart Cloud Services (formerly known as Netintelligence). Titan Internet Limited was acquired during the year and has been reported as part of the Hosting segment since acquisition.

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, charges for share based payments or costs associated with acquisitions. This 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. 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. For that reason 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

	2011			2010		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
Easyspace	7,558	-	7,558	7,363	-	7,363
Hosting	17,694	896	18,590	10,964	717	11,681
	25,252	**896**	**26,148**	**18,327**	**717**	**19,044**

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.

Analysis of Revenue by Destination

	2011 £'000	2010 £'000
United Kingdom	22,585	17,142
Rest of the World	2,667	1,185
Revenue from operations	**25,252**	**18,327**

Profit by Operating Segment

	2011			2010		
	EBITDA before Share based payments and acquisation costs £'000	Share based payments, acquisation costs depreciation & amortisation £'000	Operating profit/(loss) £'000	EBITDA before Share based payments £'000	Share based payments, acquisation costs depreciation & amortisation £'000	Operating profit/(loss) £'000
Easyspace	2,794	(35)	2,759	2,579	(35)	2,544
Hosting	6,178	(3,351)	2,827	2,763	(2,320)	443
Group overheads	(2,328)	-	(2,328)	(2,230)	-	(2,230)
Acquisition costs	-	(195)	(195)	-	-	-
Share based payments	-	(290)	(290)	-	(379)	(379)
	6,644	(3,871)	2,773	3,112	(2,734)	378
Net gain on business combination			-			865
Group interest and tax			89			827
Profit for the year	**6,644**	**(3,871)**	**2,862**	**3,112**	**(2,734)**	**2,070**

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

4. OPERATING PROFIT

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

	2011 £'000	2010 £'000
Staff costs excluding development costs capitalised and research and development costs written off the statement of comprehensive income	7,582	6,216
Depreciation of property plant and equipment		
- Owned assets	2,031	1,498
- Leased assets	658	348
Property, plant and equipment hire		
- Land and buildings	1,683	1,299
- Plant and machinery	239	242
Amortisation of intangible assets	697	509
R&D expensed to statement of comprehensive income	62	162
Marketing and sales	622	604
Infrastructure	434	337
Provision for doubtful debts	71	57
Premises and office	4,376	3,778

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

Auditors' remuneration	**2011 £'000**	**2010 £'000**
- Fees payable for the audit of the consolidation and the parent company accounts	26	22
- Fees payable for audit of subsidiaries, pursuant to legislation	38	23
- Tax compliance fees	19	14
- Corporate finance and advisory transactions	55	27
	138	**86**

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2011 £'000	2010 £'000
Directors' emoluments		
Aggregate emoluments	881	855
Pension contributions to personal money purchase schemes	148	39
Share based payments	1	243
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	297	311
Pension contributions to personal money purchase schemes	120	16

During the year the company made personal pension contributions to the personal pension schemes of 3 directors (2010: 3).
The aggregate amount of gains realised by directors on the exercise of share options during the year was £nil (2010: £129,395).
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	76	66
Customer services	20	22
Sales and marketing	39	33
Administration	25	24
	160	**145**

Number of persons employed by the Group at the year end		
Technical	93	65
Customer services	21	19
Sales and marketing	41	32
Administration	27	22
	182	**138**

	2011 £'000	2010 £'000
Staff costs of the Group during the year in respect of employees and directors were:		
Wages and salaries	6,964	5,688
Social security costs	664	536
Other pension costs	77	56
Share based payments	290	379
	7,995	**6,659**

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.

6. NET FINANCE COST

	2011 £'000	2010 £'000
Finance income:		
Bank interest receivable	45	77
Other interest income	152	-
Finance income for the year	**197**	**77**
Finance expenses:		
Bank loan	(25)	-
Finance leases	(112)	(66)
Other interest payable	(41)	-
Finance expense for the year	**(178)**	**(66)**
Net finance cost	**19**	**11**

Other interest income of £112,000 was received in the year relating to interest earned on sums held in escrow which have now been released. In addition, £80,000 was received in the year relating to interest earned on sums held on a rental deposit by a landlord since the inception of the agreement and of this, £40,000 had previously been accrued in interest receivable.

7. DIVIDENDS ON SHARES CLASSED AS EQUITY

	2011 Pence per share	2011 £'000	2010 Pence per share	2010 £'000
Paid during the year:				
Final dividend – for prior year				
Equity dividends on ordinary shares	-	-	0.3p	291
Interim dividend – for current year				
Equity dividends on ordinary shares	0.4p	391	-	-
		391		**291**

The directors have recommended a final dividend for the year ended 31 March 2011 of 0.65p per share (2010: nil). Subject to shareholder approval this proposed final dividend would be payable on 5 October 2011 to shareholders on the register as of 10 June 2011.

8. TAXATION

	2011 £'000	2010 £'000
Tax charge for the year	(183)	(12)
Adjustment relating to prior year	33	20
Deferred tax credit	220	808
Taxation	**70**	**816**

The Group has a deferred tax asset which has been recognised in respect of tax losses within three subsidiary companies, which have generated taxable profits and are 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:

	2011 £'000	2010 £'000
Profit before tax	2,792	1,254
Tax charge @ 28% (2010 – 28%)	782	351
Expenses disallowed for tax purposes	25	23
Adjustments in respect of prior periods	(33)	(20)
Effect of research and development tax reliefs	(50)	(44)
Tax effect of share based remuneration	(191)	50
Non-taxable gain on reduction of deferred consideration on business combination	-	(242)
Effect of intangible asset tax reliefs	(7)	(24)
Movement in unprovided deferred tax related to fixed assets	130	(99)
Movement in unprovided deferred tax related to other timing differences	9	(8)
Increase in tax losses recognised	(735)	(803)
Taxation (credit)/charge for the year	**(70)**	**(816)**

The weighted average applicable tax rate for the year ended 31 March 2011 was 28% (2010: 28%). The total current tax charge of £183,000 (2010: £12,000) on operations represents 6.6% (2010: 1.0%) of the Group profit before tax of £2,792,000 (2010: £1,254,000).

9. DEFERRED TAX

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

	2011		2010	
	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000
Tax losses carried forward	1,971	1,386	2,187	2,427
Share based remuneration	354	-	72	-
Deferred tax on acquired assets with no capital allowances	(1,367)	-	(1,504)	-
Deferred tax on customer relationships	(339)	-	(151)	-
Deferred tax	**619**	**1,386**	**604**	**2,427**

At the year end, the Group has unused tax losses of £13.2m (2010: £16.5m) available for offset against future profits. A deferred tax asset has been recognised in respect of £7.7m (2010: £7.8m) of such losses. No deferred tax asset has been recognised in respect of the remaining £5.5m (2010: £8.7m) as these losses are not currently expected to be used up by taxable profits by the end of the period covered by future projections.

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	2,187	72	(1,504)	(151)	604
Acquired on acquisition of subsidiary	-	-	-	(285)	(285)
Credited to equity	-	80	-	-	80
(Charged)/credited to statement of comprehensive income	(216)	202	137	97	220
Closing balance	**1,971**	**354**	**(1,367)**	**(339)**	**619**

The deferred tax asset in relation to tax losses carried forward arises from the unutilised tax losses in the hosting segment. The deferred tax asset has been recognised in line with future projections 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 certain companies within the hosting segment, 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 iomart Datacentres Limited (formerly known as 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 assets recognised on the acquisitions of Rapidswitch Limited on 11 May 2009 and Titan Internet Limited on 29 October 2010, which are 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 Titan Internet Limited ("Titan") on 29 October 2010. This transaction has been accounted for by the acquisition method of accounting.

Titan delivers managed hosting solutions to its client base and the acquisition is in line with the group's strategy to grow both organically and by acquisition.

The acquired business contributed revenues of £1,625,000 and profit after tax of £216,000 to the group for the period from 30 October 2010 to 31 March 2011. The following unaudited pro forma summary presents consolidation information of the group as if the business combination had occurred on 1 April 2010:

	Pro forma year ended 31 March 2011 £'000
Revenue	27,107
Profit after taxation	2,985

These amounts have been calculated after applying the group's accounting policies and after adjusting the results of Titan to reflect the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had been applied from 1 April 2010, together with the consequential tax effects.

As a consequence of the acquisition of Titan, the company incurred £117,000 of third party acquisition related costs. These expenses are included in administrative expenses in the company's consolidated statement of comprehensive income for the year ended 31 March 2011.

The following table summarises the consideration transferred to acquire Titan Internet Limited and the amounts of identified assets acquired and liabilities assumed at the acquisition date:

	£'000
Fair value of consideration transferred:	
Cash	3,645
Contingent consideration	600
Total consideration	**4,245**
Recognised amounts of net assets acquired and liabilities assumed:	
Cash and cash equivalents	501
Trade and other receivables	396
Property, plant and equipment	572
Intangible assets	1,119
Trade and other payables	(1,287)
Deferred tax liability	(285)
Total identifiable assets	**1,016**
Goodwill	3,229
	4,245

The acquisition of Titan Internet Limited includes a contingent consideration arrangement that requires additional consideration to be paid by the company for Titan subject to the transfer of Titan's server estate to the group's datacentres. The directors consider that the maximum value of contingent consideration will be payable and therefore have accrued the balance in full.

The goodwill arising on the acquisition of Titan Internet Limited is attributable to the specialised, industry specific knowledge of the management and staff, the benefits to the Group in merging the business with its existing infrastructure and the anticipated future operating synergies from the combination. The goodwill is not expected to be deductible for tax purposes.

The fair value of the assets acquired includes trade receivables of £125,000. The gross amount due under contracts is £125,000 and there are no amounts which are expected to be uncollectable. The fair value of the acquired customer relationships intangible asset is £1,119,000.

10. ACQUISITION (CONTINUED)

To estimate the fair value of the customer relationship intangible asset, 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 13.8% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 5 years.

The name, Titan Internet Limited, is not legally protected in any way and is not actively advertised or promoted, with the majority of Titan's business being generated from existing customers or by word of mouth. The terms and conditions of Titan specifically prohibit the sharing of information held about customers with third parties. No value has therefore been attributed to either the trade name/brand or to the customer lists acquired at the acquisition date.

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 held by an Employee Benefit Trust in a Joint Share Ownership Plan ("JSOP") and shares held in treasury. Fully diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the total of the weighted average number of ordinary shares in issue during the year, after deducting any own shares (JSOP) and shares held in treasury, and adjusting for the dilutive potential ordinary shares relating to share options, including the dilutive effect of JSOP shares that have vested.

Total operations

	2011 £'000	2010 £'000
Profit for the financial year and basic earnings attributed to ordinary shareholders	2,862	2,070

Weighted average number of ordinary shares:	No 000	No 000
Called up, allotted and fully paid at start of year	102,753	100,239
Shares held by Employee Benefit Trust	(4,977)	-
Own shares held in treasury	-	(3,294)
New shares issued during year (weighted average)	674	632
Weighted average number of ordinary shares - basic	**98,450**	**97,577**
Dilutive impact of share options	958	230
Dilutive impact of JSOP shares	1,026	-
Weighted average number of ordinary shares - diluted	**100,434**	**97,807**
Basic earnings per share	2.91 p	2.12 p
Fully diluted earnings per share	2.85 p	2.12 p

Adjusted earnings per share	**2011 £'000**	**2010 £'000**
Profit for the financial year and basic earnings attributed to ordinary shareholders	2,862	2,070
Less: net gain on reduction of deferred consideration	-	(865)
Adjusted profit for the financial year and adjusted earnings attributed to ordinary shareholders	**2,862**	**1,205**
Adjusted basic earnings per share	2.91 p	1.23 p
Adjusted fully diluted earnings per share	2.85 p	1.23 p

12. INTANGIBLE ASSETS

	Goodwill £'000	Development costs £'000	Customer relationships £'000	Software £'000	Domain names £'000	Total £'000
Cost						
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 1 April 2010	**20,723**	**760**	**800**	**294**	**31**	**22,608**
Additions	3,229	-	-	197	-	3,426
Acquired on acquisition of subsidiary	-	-	1,119	-	-	1,119
Development cost capitalised	-	351	-	-	-	351
At 31 March 2011	**23,952**	**1,111**	**1,919**	**491**	**31**	**27,504**
Accumulated amortisation:						
At 1 April 2009	-	(169)	-	(199)	-	(368)
Charge for the year	-	(209)	(261)	(30)	(9)	(509)
At 1 April 2010	**-**	**(378)**	**(261)**	**(229)**	**(9)**	**(877)**
Charge for the year	-	(275)	(316)	(96)	(10)	(697)
At 31 March 2011	**-**	**(653)**	**(577)**	**(325)**	**(19)**	**(1,574)**
Carrying amount:						
At 31 March 2011	**23,952**	**458**	**1,342**	**166**	**12**	**25,930**
At 31 March 2010	20,723	382	539	65	22	21,731

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 statement of comprehensive income.

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". No impairment charges (2010: 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. This allocation has been amended in the current year to reflect the way in which the Group both manages its operations and the level at which the cash flows are internally monitored. The goodwill acquired in the Titan Internet Limited acquisition in the current year has been allocated to the Hosting CGU which is the CGU expected to benefit from that business combination. The carrying value of goodwill by each CGU is as follows:

Cash Generating Units (CGU)	**2011 £'000**	**2010 £'000**
Easyspace	12,314	12,314
Hosting	11,688	8,409
	24,002	**20,723**

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 two-year period. Cash flows beyond the two-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	Hosting
Discount rate	11%	13%
Future perpetuity rate	2.25%	2.25%
Forecast period for which cash flows are estimated (years)	2	2

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 £2,016,000 (2010: £1,216,000) 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	-
iomart Cloud Services Limited (formerly known as Netintelligence Limited)	Scotland	Managed hosting services	100	-
iomart Virtual Servers Hosting Limited	Scotland	Dormant	100	-
Netintelligence Limited (formerly known as Easyspace Datacentres (UK) Limited)	Scotland	Dormant	100	-
Easyspace Limited	England	Webservices	100	-
Rapidswitch Limited	England	Managed hosting services	100	-
Titan Internet Limtied	England	Managed hosting services	100	-
iomart Datacentres Limited (formerly known as Ezee DSL Limited)	England	Datacentre services	100	-
Internetters Limited	England	Webservices	-	100
NicNames Limited	England	Dormant	-	100
Web Genie Internet Limited	England	Webservices	-	100

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 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 1 April 2010	**837**	**2,139**	**8,395**	**4,684**	**710**	**7**	**16,772**
Additions in the year	-	1,371	400	2,868	10	-	4,649
Acquisition of subsidiary	-	14	-	421	81	55	571
Disposals in the year	-	-	-	-	-	(24)	(24)
At 31 March 2011	**837**	**3,524**	**8,795**	**7,973**	**801**	**38**	**21,968**
Accumulated depreciation:							
At 1 April 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 1 April 2010	**(20)**	**(458)**	**(1,329)**	**(2,275)**	**(414)**	**-**	**(4,496)**
Charge for the year	(20)	(135)	(709)	(1,758)	(60)	(7)	(2,689)
Disposals in the year	-	-	-	-	-	5	5
At 31 March 2011	**(40)**	**(593)**	**(2,038)**	**(4,033)**	**(474)**	**(2)**	**(7,180)**
Carrying amount:							
At 31 March 2011	**797**	**2,931**	**6,757**	**3,940**	**327**	**36**	**14,788**
At 31 March 2010	817	1,681	7,066	2,409	296	7	12,276

The net book value of computer equipment held under finance lease at 31 March 2011 was £1,735,000 (2010: £1,204,000).

16. TRADE AND OTHER RECEIVABLES

	2011 £'000	2010 £'000
Trade receivables	1,358	1,382
Less: Provision for impairment	(177)	(124)
Trade receivables (net)	**1,181**	**1,258**
Other receivables	240	191
Prepayments and accrued income	1,679	1,488
Trade and other receivables	**3,100**	**2,937**

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 2011, £686,000 (2010: £862,000) of net trade receivables were fully performing. Net trade receivables of £495,000 (2010: £396,000) were past due, but not impaired. The credit quality of financial assets that are neither past due or impaired can be assessed by reference to the customer type. 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.

	2011 £'000	2010 £'000
Up to 3 months	434	337
Over 3 months but less than 6 months	33	55
Over 6 months but less than 1 year	28	4
Total unimpaired trade receivables which are past due	**495**	**396**

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

	2011 £'000	2010 £'000
Balance at start of the year	124	67
Provision for receivables impairment	53	57
Balance at end of year	**177**	**124**

17. CASH AND CASH EQUIVALENTS

	2011 £'000	2010 £'000
Cash at bank and on hand	6,864	5,715
Cash and cash equivalents	**6,864**	**5,715**

The credit risk on cash and cash equivalents is considered to be negligible because the counter parties are UK banking institutions. The effective interest rate earned on short term deposits was 0.51% (2010: 0.51%).

18. DEFERRED CONSIDERATION RECEIVABLE ON DISPOSAL

	2011 £'000	2010 £'000
Deferred consideration receivable on disposal: non-current	-	-
Deferred consideration receivable on disposal: current	-	(914)
Total deferred consideration receivable on disposal	**-**	**(914)**

The deferred consideration receivable on the disposal of disposal of Ufindus Limited in July 2008 of £914,000 was received in July 2010 net of costs associated with the disposal of £119,000.

19. TRADE AND OTHER PAYABLES

	2011 £'000	2010 £'000
Trade payables	(1,377)	(1,044)
Corporation tax	(303)	(12)
Other taxation and social security	(596)	(915)
Accruals	(3,407)	(2,399)
Deferred income	(4,364)	(3,119)
Trade and other payables	**(10,047)**	**(7,489)**

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 AND CONTINGENT CONSIDERATION

	2011 £'000	2010 £'000
Deferred consideration due on acquisition:		
- iomart Datacentres Limited (formerly known as Ezee DSL Ltd)	-	(1,000)
Contingent consideration due on acquisition:		
- Titan Internet Limited	(600)	-
Total deferred and contingent consideration due on acquisitions	**(600)**	**(1,000)**

On 27 August 2010, the final instalment of deferred consideration of £1,000,000 was paid in relation to the acquisition of iomart Datacentres Limited (formerly known as Ezee DSL Limited). The single share in iomart Datacentres Limited that had been placed in escrow was transferred to iomart Group plc on payment of this final instalment and consequently iomart Group plc now owns 100% of the share capital of this company.

The contingent consideration due on the acquisition of Titan Internet Limited is subject to a successful transfer of Titan's server estate to the Group's data centres and is expected to be completed within 12 months.

21. BORROWINGS

	2011 £'000	2010 £'000
Current:		
Obligations under finance leases	(846)	(480)
Bank loans	(2,000)	-
Current borrowings	**(2,846)**	**(480)**
Non-current:		
Obligations under finance leases	(920)	(834)
Total non-current borrowings	**(920)**	**(834)**
Total borrowings	**(3,766)**	**(1,314)**

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:

	2011			2010		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	846	92	938	480	81	561
Due between two and five years	920	44	964	834	69	903
	1,766	**136**	**1,902**	**1,314**	**150**	**1,464**

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 6.9% (2010: 6.1%). Lease payments are made on a monthly and quarterly basis. The future lease obligation of £1,902,000 (2010: £1,464,000) has a present value of £1,846,000 (2010: £1,367,000).

In June 2010 the Group obtained a multi option revolving credit facility of £10m which was made available in order to finance business acquisitions and to finance capital expenditure. In order to fund the acquisition of Titan Internet Limited, £2.0m of this facility was drawn down in November 2010 and this remained the only draw down of the facility at 31 March 2011. The interest rate on the bank loan is fixed for the 6 month term of the loan at 3.0% per annum (2010: nil) which results in an effective annual interest rate, which includes the cost of draw down fees, of 5.0% (2010: nil). Due to the short term nature of the loan, the future loan obligation of £2,030,000 (2010: £nil) approximates the present value.

22. OPERATING LEASES

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

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	2,222	181	1,280	240
Between two to five years	5,189	252	4,972	347
After five years	6,006	381	5,228	387
	13,417	**814**	**11,480**	**974**

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. At 31 March 2011, the total future minimum sub-lease payments expected to be received under non-cancellable sub-leases were £226,000 (2010: £275,000)

23. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2009, 2010, and 2011	**200,000,000**	**2,000**
Called up, allotted and fully paid		
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**
Exercise of options	1,087,244	10
At 31 March 2011	**103,839,843**	**1,038**

During the year the company issued 1,087,244 (2010: nil) ordinary shares of 1p each in respect of the exercise of share options by employees for which a net total of £473,000 (2010: £nil) was received

As at 31 March 2011 the company held 4,977,184 shares (2010: 4,977,184) 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 (2010: £49,772).

The JSOP shares are valued at 49.5p per share, which was the mid-market value of the shares at the start of trading on the day they were issued, resulting in a total 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. Certain of the JSOP shares, as identified in the Remuneration Report on pages 11-14, are 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.

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, are equally eligible to receive dividends and represent one vote at the shareholders' meetings of iomart Group plc. All shares issued at 31 March 2011 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 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
Other approved schemes	Between 1 and 3 years from grant	10 years after date of grant	As set by Remuneration Committee	Yes
Unapproved schemes	3 years from grant	10 years after date of grant	As set by Remuneration Committee	Yes
Joint Share Ownership Plan	Up to 3 years from grant	10 years after date of grant	As set by Remuneration Committee	Yes

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

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

During the year, options over 1,087,244 ordinary shares (2010: 830,660) were exercised and the average market price at the exercise dates was 66.6p (2010: 32.0p).

As disclosed in note 5, a share based payment charge of £290,000 (2010: £379,000) has been recognised in the statement of comprehensive income during the year in relation to the above schemes. The fair value of the employee services received is valued indirectly by valuing the options granted using the Black-Scholes option pricing model, which worked on the following assumptions for the options granted in the year.

Grant date	**29-Oct-10**	**02-Dec-10**	**02-Dec-10**
Vesting date	**31-Mar-12**	**31-Mar-13**	**31-Mar-14**
Variables used			
Share price at grant date	88.5p	87.5p	87.5p
Volatility	62%	63%	63%
Dividend yield	1.0%	1.0%	1.0%
Number of employees holding options/units	1	1	3
Option/award life (years)	10	10	10
Expected life (years)	1.4	2.3	3.3
Risk free rate	2.00%	2.02%	2.02%
Expectations of meeting performance criteria	100%	100%	100%
Fair value	**25.07p**	**32.04p**	**37.40p**
Exercise price per share	90.5p	87.5p	87.5p

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 share option schemes are as follows:

24.SHARE BASED PAYMENTS (CONTINUED)

As at 31 March 2011										
Details				Options for shares outstanding						Vested options for shares not yet exercised
Exercise price	Grant date	Exercise date	Expiry date	31 March 2010	Issued	Transferred	Forfeited	Exercised	31 March 2011	31 March 2011
Enterprise management incentive scheme										
6.25	02/07/2003	02/07/2004	02/07/2013	44,581	-	-	-	(2,500)	42,081	42,081
6.25	02/07/2003	02/07/2005	02/07/2013	47,916	-	-	-	(5,833)	42,083	42,083
6.25	02/07/2003	02/07/2006	02/07/2013	47,920	-	-	-	(5,834)	42,086	42,086
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	85,982
43.50	20/12/2007	20/12/2007	20/12/2017	150,000	-	-	-	(100,000)	50,000	50,000
43.50	20/12/2007	20/06/2008	20/12/2017	160,000	-	-	-	(100,000)	60,000	60,000
43.50	20/12/2007	20/12/2008	20/12/2017	160,000	-	-	-	(50,000)	110,000	110,000
43.50	20/12/2007	20/06/2009	20/12/2017	160,000	-	-	-	(50,000)	110,000	110,000
43.50	20/12/2007	20/12/2009	20/12/2017	99,655	-	-	-	(29,885)	69,770	69,770
43.50	20/12/2007	20/06/2010	20/12/2017	10,000	-	-	-	-	10,000	10,000
46.50	29/09/2008	31/03/2009	29/09/2018	345,700	-	(116,668)	-	(93,011)	136,021	136,021
46.50	29/09/2008	31/03/2010	29/09/2018	216,668	-	(116,667)	-	(50,000)	50,001	50,001
46.50	29/09/2008	31/03/2011	29/09/2018	211,287	-	(111,290)	(16,666)	-	83,331	83,331
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	-	-	-	(25,000)	225,000	225,000
37.00	11/05/2009	31/03/2011	11/05/2019	124,324	-	-	-	-	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	-
90.50	29/10/2010	29/10/2010	29/10/2020	-	83,333	-	-	-	83,333	83,333
90.50	29/10/2010	01/04/2010	29/10/2020	-	49,263	-	-	-	49,263	-
87.50	02/12/2010	31/03/2011	02/12/2020	-	16,667	-	-	-	16,667	16,667
87.50	02/12/2010	31/03/2012	02/12/2020	-	76,668	-	-	-	76,668	-
87.50	02/12/2010	31/03/2013	02/12/2020	-	81,808	-	-	-	81,808	-
87.50	02/12/2010	31/03/2014	02/12/2020	-	59,999	-	-	-	59,999	-
Unapproved schemes										
11.75	31/10/2001	31/10/2001	31/10/2011	50,000	-	-	-	-	50,000	50,000
43.50	20/12/2007	20/12/2009	20/12/2017	40,230	-	-	-	(40,230)	-	-
43.50	20/12/2007	20/06/2010	20/12/2017	100,000	-	-	-	(100,000)	-	-
46.50	29/09/2008	31/03/2009	29/09/2018	80,647	-	116,668	-	(197,315)	-	-
46.50	29/09/2008	31/03/2010	29/09/2018	166,667	-	116,667	(50,000)	(164,248)	69,086	69,086
46.50	29/09/2008	31/03/2011	29/09/2018	172,042	-	111,290	(100,000)	-	183,332	183,332
26.50	05/02/2009	30/09/2009	05/02/2019	12,000	-	-	-	(12,000)	-	-
37.00	11/05/2009	31/03/2011	11/05/2019	125,676	-	-	-	-	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	-
90.50	29/10/2010	01/14/2011	29/10/2020	-	34,071	-	-	-	34,071	-
90.50	29/10/2010	01/04/2012	29/10/2020	-	83,333	-	-	-	83,333	-
87.50	02/12/2010	31/03/2013	02/12/2020	-	28,191	-	-	-	28,191	-
87.50	02/12/2010	31/03/2014	02/12/2020	-	66,667	-	-	-	66,667	-
Approved Schemes										
44.00	24/01/2001	24/01/2004	24/01/2011	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)	-	-
Total				4,266,622	580,000	-	(166,666)	(1,087,244)	3,592,712	2,312,712
Weighted Average Exercise price				43.14p	88.79p	-	46.50p	43.39p	51.62p	51.02p

24.SHARE BASED PAYMENTS (CONTINUED)

As at 31 March 2010										
Details				Options for shares outstanding						Vested options for shares not yet exercised
Exercise price	Grant date	Exercise date	Expiry date	31 March 2009	Issued	Surrenderd	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	31/03/2009	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)

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 2011										
Details				Options for shares outstanding						Vested options for JSOP shares not yet exercised
Exercise price	Grant date	Exercise date	Expiry date	31 March 2010	Issued	Surrenderd	Exercised	Expired	31 March 2011	31 March 2011
Joint Share Ownership Plan										
50.99	31/03/2010	31/03/2010	06/10/2018	935,582	-	-	-	-	935,582	935,582
50.99	31/03/2010	31/03/2011	06/10/2018	1,050,000	-	-	-	-	1,050,000	1,050,000
50.99	31/03/2010	31/03/2012	06/10/2018	1,350,000	-	-	-	-	1,350,000	-
52.00	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
50.99	31/03/2010	31/03/2010	20/12/2017	20,115	-	-	-	-	20,115	20,115
50.99	31/03/2010	20/06/2010	20/12/2017	50,000	-	-	-	-	50,000	50,000
50.99	31/03/2010	31/03/2010	29/09/2018	90,324	-	-	-	-	90,324	90,324
50.99	31/03/2010	31/03/2011	29/09/2018	66,666	-	-	-	-	66,666	66,666
Total				**4,977,184**	**-**	**-**	**-**	**-**	**4,977,184**	**3,627,184**
Weighted Average Exercise price				**52.60p**	**n/a**	**n/a**	**n/a**	**n/a**	**53.95p**	**55.05p**

As at 31 March 2010										
Details				Options for shares outstanding						Vested options for JSOP shares not yet exercised
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 2011 (2010: nil).

(b) Commitments

Capital expenditure on property, plant and equipment committed by the Group at 31 March 2011 was £83,000 (2010: £249,000).

27.RISK MANAGEMENT

The Group finances its operations by raising finance through equity, bank borrowings and finance leases. 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.

27. RISK MANAGEMENT (CONTINUED)

The carrying amounts of financial assets presented in the statement of financial position 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 £'000
2011			
Non-current:			
Lease deposit	2,016	-	2,016
Current:			
Trade receivables	1,181	-	1,181
Cash and cash equivalents	6,864	-	6,864
Other receivables	240	-	240
Total for category	**10,301**	**-**	**10,301**
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**

The carrying amounts of financial liabilities presented in the statement of financial position relate to the following measurement categories as defined in IAS 39:

	Designated at fair value through profit or loss £'000	Financial liabilities measured at amortised cost £'000	Other (non-IAS 39) £'000	Total £'000
2011				
Non-current:				
Finance leasing capital obligations	-	-	(920)	(920)
Current:				
Trade payables	-	(1,377)	-	(1,377)
Accruals	-	(3,401)	-	(3,401)
Bank loan	-	-	(2,000)	(2,000)
Contingent consideration due on acquisition	-	(600)	-	(600)
Finance leasing capital obligations	-	-	(846)	(846)
Forward foreign exchange contracts	(30)	-	-	(30)
Total for category	**(30)**	**(5,378)**	**(3,766)**	**(9,174)**
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)**

27.RISK MANAGEMENT (CONTINUED)

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$1.8m (2010: US$1.6m) 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 $840,000 (2010: $800,000) for a total of £555,000 (2010: £509,000), at an average exchange rate of US$:GBP of 1.51 (2010: 1.57) over the period to September 2011. The fair value of these currency contracts is estimated to be approximately a loss of £30,000 (2010: gain £19,000). This has been recognised in the statement of comprehensive income 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.

Capital risk

The Group currently has net cash. The Group's policy on capital structure is to maintain a level of gross cash which the Board considers to be adequate for the size of the Group's operations. Consequently, the Group makes use of both banking facilities and finance lease arrangements to help fund the acquisition of companies and capital expenditure in order to maintain that level of gross cash. The Group is committed to paying annual dividends depending on the underlying profitability and cash generation of the business. The Group was in compliance with all debt covenants in the banking facility arrangements throughout the reporting period.

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 £1,181,000 (2010: £1,258,000) 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.

28.POST BALANCE SHEET EVENT

The Group acquired 100% of the issued share capital of Switch Media Limited and its subsidiaries ("Switch Media") on 26 April 2011. This transaction will be accounted for by the acquisition method of accounting.

Switch Media supplies domain registration, web hosting and web design services to its client base primarily in the UK and in the Republic of Ireland and the acquisition is in line with the group's strategy to grow both organically and by acquisition.

The acquired business did not contribute to the revenues or profit of the group during the year ended 31 March 2011.

During the year the group incurred £78,000 of third party acquisition related costs in respect of this acquisition. These expenses are included in administrative expenses in the group's consolidated statement of comprehensive income for the year ended 31 March 2011. After the year end a further £9,000 of third party acquisition related costs are expected to be incurred and these will be included in administrative expenses in the group's consolidated statement of comprehensive income for the year ending 31 March 2012.

28. POST BALANCE SHEET EVENT (CONTINUED)

The following table summarises the consideration transferred to acquire Switch Media Limited and its subsidiaries and the amounts of identified assets acquired and liabilities assumed at the acquisition date:

	£'000
Fair value of consideration transferred:	
Cash	1,025
Contingent consideration	225
Total consideration	**1,250**
Recognised amounts of net assets acquired and liabilities assumed (provisional):	
Cash and cash equivalents	126
Trade and other receivables	75
Current deferred tax asset	52
Property, plant and equipment	47
Intangible assets	395
Trade and other payables	(464)
Current deferred tax liability	(40)
Non-current deferred tax liability	(61)
Total identifiable assets	**130**
Goodwill	1,120
	1,250

The acquisition of Switch Media includes a contingent consideration arrangement that requires additional consideration to be paid by the group for Switch subject to the successful integration of the business of Switch Media into the group, the successful transfer of Switch Media's provisioning platforms to existing group platforms and the successful transfer of Switch Media's server estate to the group's datacentres.

The goodwill arising on the acquisition of Switch Media is attributable to the specialised, industry specific knowledge of the management and staff, the benefits to the Group in merging the business with its existing infrastructure and the anticipated future operating synergies from the combination. The goodwill is not expected to be deductible for tax purposes.

All services supplied by Switch Media are payable in advance and the fair value of the assets does not include any trade receivables. The fair value of the acquired customer relationships intangible asset of £394,000 is provisional pending a final valuation.

To estimate the fair value of the customer relationship intangible asset, 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 13.8% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 3 years.

The name, Switch Media Limited, is not actively advertised or promoted, with the majority of Switch Media's business being generated from existing customers or by mail shots to newly registered companies. Switch Media has given a commitment to customers not to share information held about them with third parties. No value has therefore been attributed to either the trade name/brand or to the customer lists acquired at the acquisition date.

Holding Company Financial Statements

Year ended 31March 2011

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 2011 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 and express an opinion on 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/private.cfm.

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 2011;
- 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

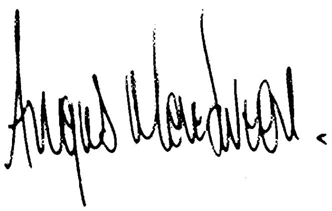
We have reported separately on the Group financial statements of iomart Group plc for the year ended 31 March 2011.

Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
31 May 2011

BALANCE SHEET

	Note	2011 £'000	2010 £'000
FIXED ASSETS			
Investments	4	31,098	26,630
		31,098	**26,630**
CURRENT ASSETS			
Debtors	5	14,151	16,039
Cash at bank		5,981	5,224
		20,132	**21,263**
CREDITORS: amounts falling due within one year	**7**	**(10,433)**	**(8,355)**
NET CURRENT ASSETS		**9,699**	**12,908**
NET ASSETS		**40,797**	**39,538**
CAPITAL AND RESERVES			
Called up share capital	8	1,038	1,028
Own shares	9	(2,464)	(2,464)
Capital redemption reserve	9	1,200	1,200
Share premium account	9	19,977	19,514
Profit and loss account	9	21,046	20,260
TOTAL EQUITY SHAREHOLDERS' FUNDS		**40,797**	**39,538**

These financial statements were approved by the board of directors on 31 May 2011.
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 £807,000 (2010: £1,022,000).

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2011 £'000	2010 £'000
Staff costs of the company during the year in respect of employees and directors were:		
Executive directors' remuneration	523	523
Non-executive directors' remuneration	110	110
Other wages and salaries	466	447
Social security costs	135	111
Pension contributions to personal money purchase schemes	156	33
	1,390	**1,224**

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 2010	28,315
Additions	4,362
Share based payment	119
Cost at 31 March 2011	**32,796**
Impairment	
At 1 April 2010	(1,685)
Charge for the year	(13)
Impairment at 31 March 2011	**(1,698)**
Net book value of Investments at 31 March 2011	**31,098**
Net book value of Investments at 31 March 2010	26,630

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 %	Owned by the subsidiary undertakings %
iomart Limited	Scotland	Dormant	100	-
iomart Hosting Limited	Scotland	Managed hosting services	100	-
iomart Cloud Services Limited (formerly known as Netintelligence Limited)	Scotland	Managed hosting services	100	-
iomart Virtual Servers Hosting Limited	Scotland	Dormant	100	-
Netintelligence Limited (formerly known as Easyspace Datacentres (UK) Limited)	Scotland	Dormant	100	-
Easyspace Limited	England	Webservices	100	-
Rapidswitch Limited	England	Managed hosting services	100	-
Titan Internet Limtied	England	Managed hosting services	100	-
iomart Datacentres Limited (formerly known as Ezee DSL Limited)	England	Datacentre services	100	-
Internetters Limited	England	Webservices	-	100
NicNames Limited	England	Dormant	-	100
Web Genie Internet Limited	England	Webservices	-	100

5. DEBTORS

	2011 £'000	2010 £'000
Prepayments and accrued income	160	126
Other debtors	1	918
Other taxation and social security	220	36
Deferred taxation (note 6)	354	72
Amounts owed by subsidiary undertakings	13,416	14,887
	14,151	**16,039**

6. DEFERRED TAXATION

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

	2011		2010	
	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000
Share based remuneration	354	-	72	-

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

	2011 £'000	2010 £'000
Balance brought forward	72	79
Profit and loss account movement arising during the year	202	(7)
Profit and loss account reserve movement during the year	80	-
Balance carried forward	**354**	**72**

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

	2011 £'000	2010 £'000
Trade creditors	8	43
Other taxation and social security	41	184
Accruals and deferred income	710	801
Deferred consideration	-	1,000
Contingent consideration	600	-
Bank loan	2,000	-
Amounts owed to subsidiary undertakings	7,074	6,327
	10,433	**8,355**

8. SHARE CAPITAL

	Ordinary shares of 1p each Number of shares	£'000
Authorised		
At 31 March 2009, 2010, and 2011	**200,000,000**	**2,000**
Called up, allotted and fully paid		
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**
Exercise of options	1,087,244	10
At 31 March 2011	**103,839,843**	**1,038**

During the year the company issued 1,087,244 (2010: nil) ordinary shares of 1p each in respect of the exercise of share options by employees for which a net total of £473,000 (2010: £nil) was received.

8.SHARE CAPITAL (CONTINUED)

As at 31 March 2011 the company held 4,977,184 shares (2010: 4,977,184) 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 (2010: £49,772).

The JSOP shares are valued at 49.5p per share, which was the mid-market value of the shares at the start of trading on the day they were issued, resulting in a total 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 at the time of disposal. Certain of the JSOP shares, as identified in the Remuneration Report on pages 11-14, are 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.

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, are equally eligible to receive dividends and represent one vote at the shareholders' meetings of iomart Group plc. All shares issued at 31 March 2011 are fully paid.

9.STATEMENT OF MOVEMENT IN RESERVES

	Own shares JSOP £'000	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
Profit for the financial period	-	-	-	807
Dividends	-	-	-	(391)
Share based payments	-	-	-	290
Deferred tax on share based remuneration	-	-	-	80
Issue of own shares for option redemption	-	-	463	-
	-	-	463	786
Opening balance	(2,464)	1,200	19,514	20,260
Closing balance	**(2,464)**	**1,200**	**19,977**	**21,046**

10. MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £'000	2010 £'000
Profit for the financial period	807	1,022
Dividend paid	(391)	(291)
Issue of own shares for option redemption	473	41
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	290	379
Deferred tax on share based remuneration	80	-
	1,259	**1,151**
Opening shareholders' funds	**39,538**	**38,387**
Closing shareholders' funds	**40,797**	**39,538**

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 £290,000 (2010: £379,000) by;

1) taking the charge in relation to employees of the holding company through the holding company statement of comprehensive income £171,000 (2010: £256,000),

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 £119,000 (2010: £123,000).

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 2011 (2010: nil).

(b) Commitments
There are no commitments present as at 31 March 2011 (2010: Nil).

13.POST BALANCE SHEET EVENT

On 26 April 2011, the Group acquired 100% of the issued share capital of Switch Media Limited for a total consideration of £1,250,000. Full details of this acquisition are disclosed in note 28 to the Group financial statements.

Notice of the 2011 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2011 annual general meeting of the Company will be held at Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow G20 0SP on 29 September 2011 at 2.30 pm for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and resolutions 9 to 10 (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 2011.

2 To approve the report of the board to the members on directors' remuneration for the year ended 31 March 2011.

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

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

5 To declare a final dividend for the year ended 31 March 2011 of 0.65p per share payable on 5 October 2011 to shareholders registered at the close of business on 10 June 2011.

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

7 That, 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 maximum aggregate nominal amount of shares to be allotted in pursuance of such authority is an aggregate nominal amount equal to £346,132.81; 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 2012 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.

8 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 £346,132.81 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 2012 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.

9 That subject to the passing of resolutions 7 and 8 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 7 and 8 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 £103,839.84;

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 2012, 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.

10 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 10,383,984 (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 2011
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, Kent, BR3 4TU, not less than 48 hours (excluding weekends and bank holidays) before the time for holding the meeting (i.e. by 2.30pm on Tuesday 27 September 2011) 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 27 September 2011; 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 IOMART GROUP PLC

Ordinary Resolutions

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

Resolution 1 – To receive and adopt the financial statements for the year ended 31 March 2011 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, Mrs Sarah Haran and Mr Chris Batterham 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 Mrs Sarah Haran and Mr Chris Batterham 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 Mrs Sarah Haran and Mr Chris Batterham.

Brief biographical details of Mrs Sarah Haran and Mr Chris Batterham are given below.

Sarah Haran 45, 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.

Chris Batterham 56, 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, office2office plc and The Risk Advisory Group. He is also chairman of Eckoh plc. Chris has also served on the boards of Staffware plc, DBS Management plc, DRS plc, Betfair Limited and The Invesco Techmark Enterprise Trust plc.

Resolution 5 – To declare a dividend 0.65p per Ordinary Share

Subject to the provisions of the Companies Acts, the Company may by ordinary resolution declare dividends, but no dividend shall exceed the amount recommended by the Board. The Board recommends the payment of a final dividend of 0.65p per Ordinary Share, to be payable to shareholders registered at close of business on 10 June 2011.

Resolution 6 – Re-appointment and remuneration of auditors

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

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

Section 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 7 would give the directors the authority to allot shares up to an aggregate nominal amount of £346,132.81, 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 8 would give directors the authority to allot shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £346,132.81 (representing 34,613,281 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 2012.

Special Resolutions

Resolutions 9 and 10 will be proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 9 - Disapplication of statutory pre-emption rights

Resolution 9 gives authority to the directors of the Company to disapply the provisions of section 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 9 (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 9 asks shareholders to waive their pre-emption rights in respect of any such issue of shares.

Resolution 9 (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 9 will, unless sooner revoked or renewed by the Company in general meeting, last until the conclusion of the next annual general meeting of the Company to be held in 2012.

Resolution 10 – Authority to purchase the Company's own shares

This resolution grants authority to the Company to make purchases of up to a maximum of 10% of the issued ordinary share capital of the Company as at the date of the notice of this meeting.

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

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

In relation to any buy back, the maximum price per Ordinary Share at which the Company is authorised in terms of resolution 10 to effect that buy back is 5% above the average middle market price of an Ordinary Share for the five business days immediately preceding the date on which the buy back is effected.

The statutory provisions governing buy backs of own shares are currently contained in, inter alios, sections 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
Peel Hunt LLP, 111 Old Broad Street, London EC2N 1PH

Bankers
Lloyds Banking Group, Bank of Scotland plc, 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

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William Strain, CTO iomart Group. *Tim Loughton, MP.*

“I’m delighted that BSI have awarded the first Kitemark for parental control software to Netintelligence. The standards set by BSI are rigorous and the availability of Kitemark certified software will help give parents confidence that their children will be protected from harmful or inappropriate content on the internet.”

Tim Loughton, Minister for Children and Families

iomart Group plc, Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow, G20 0SP. www.iomart.com