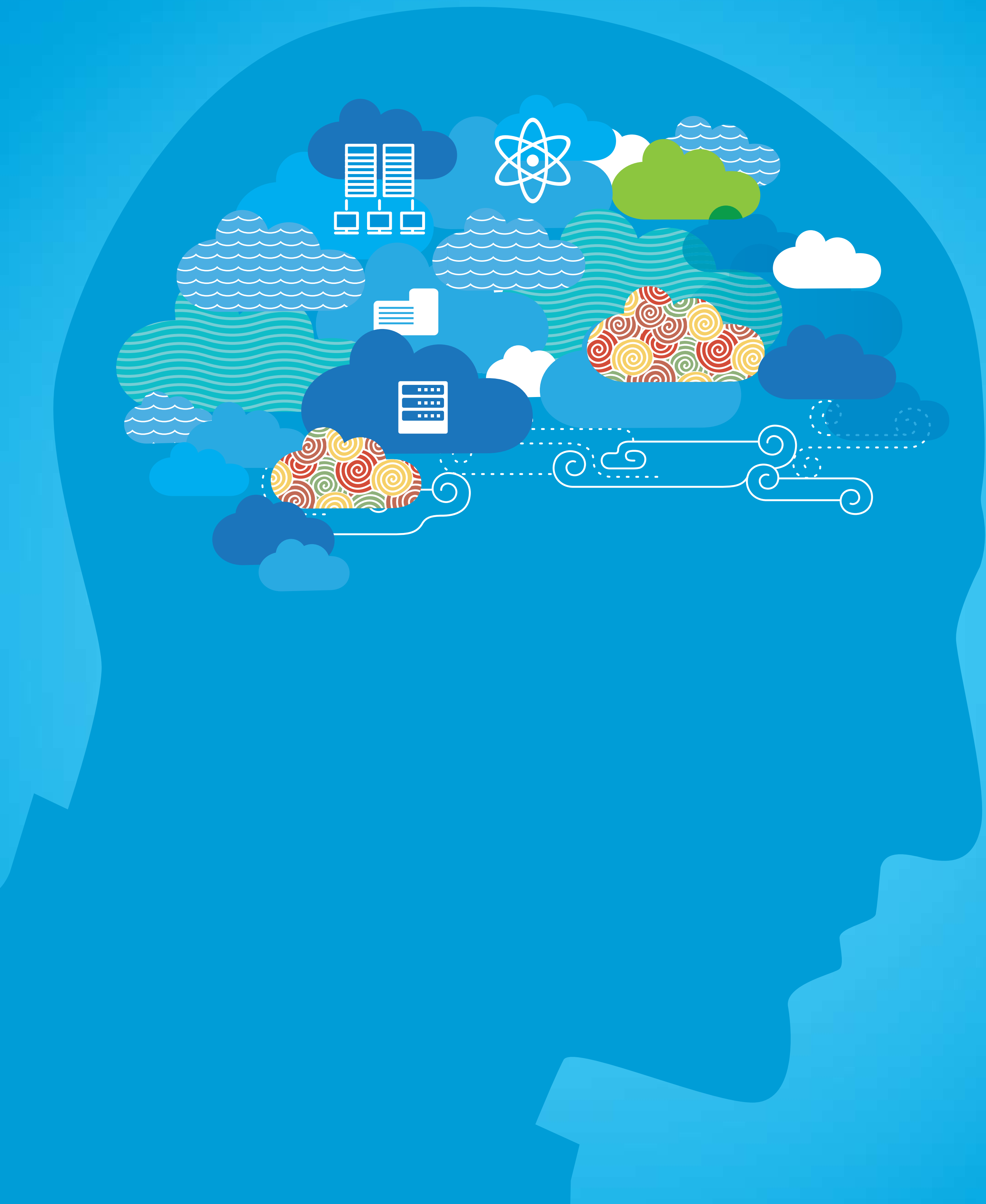
iomart
100% Uptime



Annual Report and Accounts 2012

Recognition

"The award of plc of the year goes to the Scottish plc with the strongest all round performance based on profitability, growth and productivity."

iomart has been named both Scottish plc and AIM/Mid Sized Cap plc of the Year at the 2012 Scottish plc Awards

scotland plc awards 2012

WINNER

Financial Statements for year ended 31 March 2012

Highlights

Financial

- Revenue growth of 33% to £33.5m (2011: £25.3m)
- Adjusted EBITDA[1] growth of 68% to £11.2m (2011: £6.6m)
- Adjusted profit before tax[2] growth of 91% to £6.9m (2011: £3.6m) benefitting strongly from operational leverage
- Adjusted basic earnings per share[3] from operations increased by 96% to 6.99p (2011: 3.56p)
- Cash flow from operations growth of 36% to £9.6m (2011: £7.1m)
- Proposed final dividend increased by 38% to 0.90p per share (2011: 0.65p per share)

Operational

- Acquisition and integration of Switch Media, EQSN and Global Gold further accelerating growth
- Hosting segment organic revenue growth of 21%

iomart 100% Uptime

1 Throughout these financial statements adjusted EBITDA is earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges and acquisition costs. Throughout these financial statements acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.

2 Throughout these financial statements adjusted profit before tax is profit before tax, amortisation charges on acquired intangible assets, share based payment charges and acquisition costs.

3 Throughout these financial statements adjusted earnings per share is earnings per share before amortisation charges on acquired intangible assets, share based payment charges and acquisition costs.

Revenue Growth

33%

to £33.5M

EBITDA Growth

68%

to £11.2M

PBT Growth

91%

to £6.9M

Dividend Growth

38%

to 0.9p/share

Social Responsibility

iomart is supporting British grassroots football by offering free team strips to youth teams via its Host Your Kit initiative.

Contents

Flexibility & Scalability

SCIENCE MUSEUM

"iomart Hosting provided the flexible and scalable hosting and high availability that we needed to cope with peaks in demand."
Alex Hendry, Senior Web Team Project Manager, Science Museum

By Jknight1603

Ian Ritchie, Chairman

iomart has once again delivered a strong performance in this financial year. Our continuing success is as a result of a great deal of hard work and we continue to forge a growing reputation as one of the UK's foremost cloud computing organisations.

As with last year, we have enjoyed a substantial increase in profitability over the year, driven both by organic and acquisitive growth. During the year we welcomed Switch Media Limited, EQSN Limited and Global Gold Holdings Limited into the Group. All are performing as expected and have now been fully integrated into iomart's operations.

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. It was extremely gratifying that our achievements over the last year were acknowledged when we were selected as the Scottish PLC of the Year at the recent 2012 Scotland PLC Awards.

During the year the composition of the Board changed with the retirement of Fred Shedden as a non-executive director and the appointment of Crawford Beveridge as a non-executive director. May I take this opportunity to thank Fred for his many years of first class service and welcome Crawford to the Board.

We have a commitment to pay annual dividends as our profitability and cash generation grows. This year the Board is proposing to pay a final dividend of 0.90p per share on 5 September 2012 to shareholders on the register on 17 August 2012 representing an increase of 38% over the dividend last year. We have decided that we will continue to 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. It is our intention to continue to pay annual dividends in future years in line with the underlying profitability and cash generation of the Group.

With the high level of revenue visibility we enjoy we have begun the 2013 financial year in a strong position. I look forward to another exciting year of growth, both organically and through acquisition and look ahead with considerable confidence.

Ian Ritchie
Chairman
28 May 2012

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With the high level of revenue visibility we enjoy we have begun the 2013 financial year in a strong position.

Angus MacSween,
Chief Executive Officer

Introduction

This has been another important year in the development of iomart. We have continued to build on the successful business model we established when we invested in our own datacentre capacity and are now enjoying the operating leverage that that gives us. During this year we have managed to increase the level of growth of revenue, adjusted EBITDA and adjusted profit before tax ahead of the record amounts achieved in the last financial year and once again this has been achieved through a combination of sustained organic growth and growth by acquisition.

Market

Our market is large, growing, highly fragmented and here to stay. As I have often said, the fundamental shift to products and services being delivered over the web is changing the way companies organise their internet or 'cloud' infrastructure to ensure resilience, scalability, security and value for money. They are increasingly looking to gain the economies of scale and peace of mind that trusted vendors like iomart can give them by looking after their mission critical business processes 24x7x365. As these services become ever more critical to customers they are now doing far more diligence on the strength of their suppliers and those with a strong balance sheet who have achieved the scale that iomart has are attracting more of the market than was the case three or four years ago.

The next buzz word coming along is 'Big Data' which is a description of the inevitable growth in transactions and information being transmitted around the Web which now need to be stored, managed and analysed. This dramatic growth in data means that vendors in this market will need to have the infrastructure in both storage and connectivity to cope with these ever-increasing demands. iomart is investing in both storage infrastructure and in significantly improving its network capacity to maintain a leading position that will lead to further premium levels of service for our customers and prospects.

Acquisitions

We are pleased to have continued to accelerate our growth through the acquisition of three operations during the year. In April 2011 we acquired Switch Media Limited ("Switch Media") and in November, EQSN Limited ("EQSN) and Global Gold Holdings Limited ("Global Gold"). All three have proven to be good additions to the Group and have now been fully integrated into the business operationally. We continue to look for businesses that fit our acquisition criteria with a view to making further acquisitions in the coming year.

Operational Review

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

> **"Our market is large, growing, highly fragmented and here to stay.**

Hosting

Our Hosting segment, which now includes EQSN, continued to perform well over the year.

We provide a range of managed hosting services to both SMEs and corporate customers including the provision of complex solutions that include both private and hybrid cloud solutions. We believe the corporate market in the UK will continue to prefer bespoke ring-fenced quality infrastructure rather than the largely unsupported public clouds that are in the market. All our solutions are provided from our network of five datacentres located throughout the UK. The more complex managed hosting solutions are provided by iomart Hosting and customers typically pay for these services on a monthly basis on contracts ranging between one and three years in length. We address the dedicated physical server market through our RapidSwitch brand largely through online marketing. We are also building a reseller network to provide a variety of cloud products covering backup, email and storage.

Revenues in this segment have grown by 38% to £24.4m with the majority of this growth as a result of the activities of iomart Hosting. We have won over 600 new orders in the year, including a substantial amount of additional orders from existing customers.

Easyspace

The Easyspace segment's activities have been significantly increased over the year due to the acquisition of Switch Media and Global Gold. Both have now been fully integrated into the operations of the segment.

Our activities within this segment provide a range of products to the micro and SME markets including domain names, shared, dedicated and virtual servers and email services.

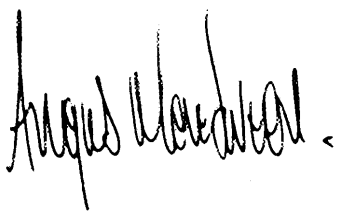
Revenues have increased by 21% over the year to £9.1m, largely due to the contribution of the two acquired businesses.

Current trading and outlook

Since the end of the financial year trading has been encouraging and in line with expectations.

We continue to be well placed to take advantage of the growing trend of companies organising their internet or 'cloud' infrastructure to ensure resilience, scalability, security and value for money. We believe we have the relevant skills and experience which we have built up over many years to be the partner of choice for such organisations.

I look forward with confidence to the year ahead.



Angus MacSween
Chief Executive Officer
28 May 2012

Trading Results

Revenue

Revenues for the year of £33.5m (2011: £25.3m) have grown by 33% 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 £24.3m (2011: £17.7m) grew by 38%. This growth was helped by a full year contribution from Titan Internet Limited ("Titan") which we acquired at the end of October 2010 and EQSN which we acquired in November 2011. The growth in Hosting segment revenues excluding the impact of acquisitions was 21%. Over the last four financial years the Hosting segment has grown revenues, through both organic and acquisitive means, from £4.6m in the year to March 2009 to £24.3m this year, an increase of more than five-fold.

Our Easyspace segment also delivered a good level of revenue growth in the period with revenues of £9.1m (2011: £7.6m) showing a 21% increase. The majority of this growth was as a result of the acquisitions of Switch Media in April 2011 and Global Gold in November 2011.

We have good revenue visibility with recurring levels of around 95%. With our larger customers we have multi-year contracts for the provision of complex managed hosting solutions. Many of our smaller customers pay in advance for the provision of hosting services resulting in a substantial sum of deferred revenue which we then recognise during the period over which we provide our services.

Gross Margin

Our gross profit for the year was £22.4m (2011: £15.6m) representing a gross margin of 67% (2011: 62%) with both operating segments contributing to this improvement. The improvement in our Hosting segment is a result of the high operational leverage of this business. In our Easyspace segment it has been as a result of a small improvement in organically generated margin and also as a result of the impact of acquisitions.

Adjusted EBITDA

The adjusted EBITDA for the year of £11.2m (2011: £6.6m) has increased by 68%. Our percentage adjusted EBITDA margin has also significantly improved to 33% (2011: 26%). 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 £10.1m (2011: £6.2m), an increase of 63%. In percentage terms the adjusted EBITDA margin has improved to 41% (2011: 35%).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. The increased costs, mainly relate to the introduction of additional headcount, especially in sales and technical roles. The contribution from Titan for the full year has contributed to the improvement in the adjusted EBITDA in absolute terms and has helped maintain the percentage margin improvement and similarly the contribution from EQSN since November has added to the growth in adjusted EBITDA.

The Easyspace segment's adjusted EBITDA was £3.6m (2011: £2.8m) an increase of 29%. In percentage terms the adjusted EBITDA margin has improved to 39% (2011: 37%). The improvement in adjusted EBITDA is partly the result of improved organic margin and partly from the impact of the acquisitions of Switch Media and Global Gold during the year.

> **The Group is now in a position where it is generating substantial amounts of operating cash.**

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 £2.5m (2011: £2.3m).

Adjusted profit before tax
Depreciation charges of £3.7m (2011: £2.7m) have increased largely as a result of charges for the equipment bought to provide services to the additional Hosting segment customers and also as a consequence of the acquisitions made in the year.

The charge for amortisation of intangibles, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets") of £0.5m (2011: £0.4m) has remained fairly static over the year.

Finance income in the period was £0.1m (2011: £0.2m) and finance costs of £0.3m (2011: £0.2m) include interest on bank loans used to fund acquisitions 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 depreciation, amortisation, amortisation of acquired intangible assets, and finance costs and crediting the finance income from the adjusted EBITDA, the Group's adjusted profit before tax was £6.9m (2011: £3.6m).

Profit before tax
The measure of adjusted profit before tax is a non-statutory measure which is commonly used to analyse the performance of companies particularly where M&A activity forms a significant part of their activities.

A reconciliation of adjusted profit before tax to reported profit before tax is shown below:

Reconciliation of adjusted profit before tax to profit before tax	2012 £'000	2011 £'000
Adjusted profit before tax	6,854	3,593
Less: Amortisation of acquired intangible assets	(604)	(316)
Less: Acquisition costs	(304)	(195)
Less: Share based payments	(104)	(290)
Profit before tax	**5,842**	**2,792**

The adjusting items are: share based payment charges in the period of £0.1m (2011: £0.3m) which 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; costs of £0.3m (2011: £0.2m) as a result of acquisition costs; and charges for the amortisation of acquired intangible assets of £0.6m (2011: £0.3m) which have increased as a result of the acquisitions made in the year and the full year effect of acquisitions made in previous years.

After deducting the charges for share based payments, charges for the amortisation of acquired intangible assets and acquisition costs from the adjusted profit before tax, the reported profit before tax was £5.8m (2011: £2.8m).

Profit for the year from total operations
There is a tax credit for the year of £0.4m (2011: £0.1m) arising from a deferred tax credit of £0.7m (2011: £0.2m). This was offset by a corporation tax charge of £0.4m (2011: £0.1m) and resulted in a profit for the year from total operations of £6.2m (2011: £2.9m).

Earnings per share
Adjusted earnings per share is based on profit for the year attributed to ordinary shareholders before share based payment charges, amortisation charges of acquired intangible assets and acquisition costs, and the tax effect of these items was 6.99p (2011: 3.56p) being an increase of 96%.

The measure of adjusted earnings per share as described above is a non-statutory measure which is commonly used to analyse the performance of companies particularly where M&A activity forms a significant part of their activities.

The calculation of both adjusted earnings per share and basic earnings per share is included at note 12.

Basic earnings per share from continuing operations was 6.22p (2011: 2.91p), an increase of 114% over the year.

Acquisitions
In April 2011 the Company acquired Switch Media for a total consideration of £1.25m, which was paid in full in the year, and in November 2011 the Company acquired EQSN for a maximum consideration of £2.48m and Global Gold for a maximum consideration of £1.20m. At the time of acquisition of EQSN the Company paid £2.25m towards the total purchase price and subsequent to the year-end a further £0.23m has been paid. At the time of acquisition of Global Gold the Company paid £0.73m towards the total purchase price and paid a further £0.02m subsequent to the year end.

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 £9.6m (2011: £7.1m) with the significant increase over the previous year's level largely due to the improvement in adjusted EBITDA. After deducting a cash payment for corporation tax of £0.6m (2011: £nil) the net cash flow from operating activities was £9.0m (2011: £7.0m).

Cash flow from investing activities

In line with our strategy of accelerating our growth by acquisition the Group continued to spend substantial sums on investing activities, spending a total of £7.4m (2011: £7.1m) in the period. Of this amount, a net sum of £4.5m (2011: £3.3m) was incurred in relation to acquisition activities. As well as the investment in the year to acquire Switch Media, EQSN and Global Gold, the Group also paid the contingent consideration due on the acquisition of Titan Internet in the previous financial year.

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 £2.4m (2011: £3.4m) in such activities, net of related finance lease drawdown.

Expenditure was also incurred on development costs of £0.5m (2011: £0.4m) and the purchase of software of £0.1m (2011: £0.2m).

Cash flow from financing activities

The Group's financing activities generated a net cash inflow of £0.5m (2011: £1.2m) over the year. The issue of new shares, due to the exercise of share options by staff, generated £0.5m (2011: £0.5m) and the Group also drew down £2.0m of bank loans to help fund acquisitions. The Group spent £1.2m (2011: £0.8m) repaying finance leases, £0.6m (2011: £0.4m) on dividends and £0.2m (2011: £0.1m) on interest.

Net cash flow

As a consequence, our overall cash generation during the year was £2.1m (2011: £1.1m) which resulted in cash and cash equivalent balances at the end of the year of £8.9m (2011: £6.9m). After recognising bank loans of £4.0m (2011: £2.0m) and finance lease obligations of £2.5m (2011: £1.8m) net cash balances at the end of the period stood at £2.5m (2011: £3.1m).

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 £10.0m, of which £4.0m has been drawn down 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 performance of the Group could be adversely affected if the required staffing levels are not maintained. 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. Should the Group be unable to provide the required level of service this could have an adverse effect on the Group's performance through the loss of customers and reputation. 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. Where any of these key suppliers to fail in their service provision to the Group this could have an adverse effect on the Group's ability to provide services to its customers. 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. Should the Group's search engine optimisation performance deteriorate this could have an adverse effect on the revenue of the Group. The Group continually monitors the position of its websites with respect to these search engines. Through the allocation of experienced staff the Group seeks to maintain or enhance the position of its websites for detection by internet search engines.

Growth management

The Group is experiencing high levels of growth through both organic and acquisitive means. As a consequence we need to continue to evolve as an organisation to meet the demands that such growth places on our business operations. Failure to evolve in the necessary way could lead to deterioration in overall business performance. As part of our annual strategy and budget review process, which is updated as necessary throughout the year we identify the resource and organisational changes that are needed to support our growth. In addition a detailed integration and migration plan is produced for each acquisition that is made to ensure the acquired operation is successfully integrated into the Group's operations.

Acquisitions

The Group has made several acquisitions over the last years and has a stated strategy to continue to make acquisitions. This produces three areas of risk:

- Acquisition target risk – We may not be able to identify suitable targets for acquisition. Through a combination of internal research and external relationships we maintain an active pipeline of potential acquisition targets.

- Acquisition integration risk – We may not integrate the acquired business into the Group in an effective manner and as a consequence could lose staff and customers of the acquired business. For each acquisition we prepare a detailed integration and migration plan which includes the participation of the vendor to ensure successful integration of the acquired business into the Group's operations.

- Acquisition performance risk – The acquired business may not perform in line with expectations. As a consequence the expected financial performance of the operation may not be achieved with a resulting adverse effect on profits and cashflow. For each acquisition diligence and integration planning is undertaken and all potential synergies identified.

Richard Logan
Finance Director
28 May 2012

Corporate Governance

As the company is listed on the Alternative Investment Market it is not required to comply with the provisions of the UK Corporate Governance Code (the "Code") issued in June 2010. 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 Code is not appropriate.

The Board

The Code requires the Company to have an effective Board whose role is to develop strategy and provide leadership to the Company as a whole, as well as ensuring a framework of controls exist which allow for the identification, assessment and management of risk, ultimately taking collective responsibility for the success of the Company.

Through the leadership of the Chairman, the Board sets the Company's strategic goals; ensuring obligations to shareholders are met. Matters reserved for a decision of the Board include approval of Group strategy, annual budgets and business plans, acquisitions, disposals, business development, annual reports, interim statements, and any significant funding and capital expenditure plans.

The Board meets regularly, usually monthly, to discuss and agree on the various matters brought before it, including the trading results. The Company has a highly committed and experienced Board, which is supported by a senior management team, with the qualification and experience necessary for the running of the Group.

In addition, there is regular communication between Executive and Non-Executive Directors, where appropriate, to update the Non-Executive Directors on matters requiring attention prior to the next Board meeting.

Role of the Chairman and Chief Executive Officer

The Code requires that there should be a clear division of responsibilities between the running of the Board and the executive responsible for the Company's business, so as to ensure that no one person has unrestricted powers of decision.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness and setting its agenda. Once strategic and financial objectives have been agreed by the Board, it is the Chief Executive Officer's responsibility to ensure they are delivered upon. To facilitate this, the Chief Executive Officer chairs the Group's Operations Boards which additionally comprises the other executive directors and, where appropriate senior members of the management team. The day-to-day operation of the Group's business is managed by these Boards.

The Chairman holds other directorships, as detailed in his biography on page 23. The Board has considered the time commitment required by his other roles and has concluded they do not detract from his chairmanship of the Company.

Composition of and Appointments to the Board

The Code requires that there should be a balance of Executive and Non-Executive Directors and when appointing new Directors to the Board there should be a formal, rigorous and transparent procedure.

The Board comprises a Non-Executive Chairman, Chief Executive Officer, Finance Director, Chief Operating Officer and two independent Non-Executive Directors. Short Biographies of the directors are given on page 23.

All Non-Executive Directors serving at the year-end are considered to be independent. The Board does not consider the shareholdings of the Non-Executive Directors as detailed on page 16 to have any effect on their independence.

The Board is satisfied with this balance between Executive and Non-Executive Directors. The Board considers that its composition is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between Executive and Non-Executive Directors.

Each member of the Board brings different experience and skills to the Board and its various committees. The Board composition is kept under review as this mix of skills and business experience is a major contributing factor to the proper functioning of the Board, helping to ensure matters are fully debated and that no individual or group dominates the Board decision-making process.

When a new appointment to the Board is made, consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition. A formal process is then undertaken, which may involve external recruitment agencies, with appropriate consideration being given, in regards to Executive appointments, to internal and external candidates. Before undertaking the appointment of a Non-Executive Director, the Chairman establishes that the prospective Director can give the time and commitment necessary to fulfil their duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times.

Information and Development

A further principle of the Code is that information of a sufficient quality is supplied to the Board in a timely manner.

The Chairman is responsible for ensuring that all the Directors continually update their skills, their knowledge and familiarity with the Group in order to fulfil their role on the Board and the Board's Committees. Updates dealing with changes in legislation and regulation relevant to the Group's business are provided to the Board by the Company Secretary/Finance Director and through the Board Committees.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring the Board procedures are properly complied with and that the discussions and decisions are appropriately minuted. Directors may seek independent professional advice at the Company's expense in furtherance of their duties as Directors.

Training in matters relevant to their role on the Board is available to all Board Directors. New Directors are provided with an induction in order to introduce them to the operations and management of the business.

Performance Evaluation

The Code requires the Board to undertake a formal and rigorous evaluation of its own performance annually and that of its committees and individual Directors.

The Board has not undertaken such a review in this financial year but now believes the Company is of a size that it should comply with the Code in this regard in the future. Consequently it intends to implement an evaluation process during the course of the next financial year.

Re-election

Under the Code, Directors should offer themselves for re-election at regular intervals and under the Company's Articles of Association, at every Annual General Meeting, at least one third of the Directors who are subject to retirement by rotation, are required to retire and may be proposed for re-election. In addition, any Director who was last appointed or re-appointed three years or more prior to the AGM is required to retire from office and may be proposed for re-election. Such retirement will count in obtaining the number required to retire at the AGM. New Directors, who were not appointed at the previous AGM, automatically retire at their first AGM and, if eligible, can seek re-appointment.

Three Directors will retire from office at the Company's forthcoming AGM and stand for re-appointment.

Board Committees

The Board has established two committees to deal with specific aspects of the Board's affairs: Audit and Remuneration Committees.

The Board has also established a Nominations Committee which is chaired by Ian Ritchie and includes Crawford Beveridge (appointed 29 September 2011), Chris Batterham and the Chief Executive Officer.

Attendance at Board and Committee Meetings

Attendances of Directors at Board and Committee meetings convened in the year, along with the number of meetings that they were invited to attend, are set out below:

	Board		Remuneration Committee		Audit Committee	
	Held *	Attended	Held *	Attended	Held *	Attended
Ian Ritchie – Non-Executive Chairman	10	10	3	3	3	3
Angus MacSween – Chief Executive Officer	10	9	-	-	-	-
Sarah Haran – Chief Operating Officer	10	10	-	-	-	-
Chris Batterham – Non-Executive Director	10	9	3	3	3	3
Fred Shedden – Non-Executive Director	5	5	1	1	1	1
Crawford Beveridge – Non-Executive Director	5	5	1	1	2	2
Richard Logan – Finance Director	10	10	-	-	-	-

** During period of appointment*

The Audit Committee

The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to the internal and external audits and controls. The Audit Committee will normally meet at least three times a year. The Audit Committee is chaired by Chris Batterham and its other members are Ian Ritchie and Crawford Beveridge (appointed 29 September 2011). The Finance Director, Chief Executive Officer and other senior management attend meetings by invitation and the Committee also meets the external auditors without management present. Chris Batterham, as chairman of the Audit Committee, has recent and relevant financial experience.

During the year, the Audit Committee, operating under its terms of reference, discharged its responsibilities, including reviewing and monitoring:

- interim and annual reports, information including consideration of the appropriateness of accounting policies;
- material assumptions and estimates adopted by management;
- developments in accounting and reporting requirements;
- external auditors' plans for the year-end audit of the Company and its subsidiaries;
- the Committee's effectiveness;
- the Risk Register covering the systems of internal control and their effectiveness, reporting and making new recommendations to the Board on the results of the review and receiving regular updates on key risk areas of financial control;
- the performance and independence of the external auditors concluding in a recommendation to the Board on the reappointment of the auditors by shareholders at the Annual General Meeting. The auditors report annually to the Committee confirming their independence and stating the methods they employ to safeguard their independence;
- non-audit fees charges by the external auditors; and
- the formal engagement terms entered into with the external auditors.

Under its terms of reference the Audit Committee is responsible for monitoring the independence, objectivity and performance of external auditors, and for making a recommendation to the Board regarding the appointment of external auditors on an annual basis. The Group's external auditors, Grant Thornton UK LLP, were first appointed as external auditor of the Company for the period ended 31 March 2005.

The Remuneration Committee

The Remuneration Committee is chaired by Crawford Beveridge (appointed 29 September 2011) and its other members are Ian Ritchie and Chris Batterham. It is normal for the Chief Executive Officer to be invited to attend meetings except where matters under review by the Committee relate to him.

The Committee has responsibility for making recommendations to the Board on the remuneration packages of the Executive Directors which includes:

- making recommendations to the Board on the Company's policy on Directors' remuneration and overseeing long term incentive plans (including share option schemes for all employees);
- ensuring remuneration is both appropriate to the level of responsibility and adequate to attract and/or retain Directors and staff of the calibre required by the Company; and
- ensuring that remuneration is in line with current industry practice.

Internal Control

The Directors, who are responsible for the Group's system of internal control, have established systems to ensure that an appropriate level of oversight and control is provided. The systems are reviewed for effectiveness annually by the Audit Committee and the Board. The Group's systems of internal control are designed to help the Company meet its business objectives by appropriately managing, rather than eliminating, the risks to those objectives. The controls can only provide reasonable, not absolute, assurance against material misstatement or loss. Executive Directors and senior management meet to review both the risks facing the business and the controls established to minimise those risks and their effectiveness in operation on an on-going basis. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified and appropriate action taken at an early stage.

The Board confirms that procedures to identify, evaluate and manage the significant risks faced by the Group have been in place throughout the year and up to the date of approval of the Annual Report.

Financial Control

The annual financial plan is reviewed and approved by the Board. Financial results with comparisons to plan and forecast results are reported on monthly to the Board together with a report on operational achievements, objectives and issues encountered. Significant variances from plan are discussed at Board meetings and actions set in place to address them.

Approval levels for authorisation of expenditure are at set levels and cascaded through the management structure with any expenditure in excess of predefined levels requiring approval from the executive directors.

Relations with Shareholders

The Chief Executive Officer and Finance Director have, where appropriate, had regular dialogue with shareholders and analysts to discuss strategic and other issues including the Company's financial results.

The Company engages in full and open communication with both institutional and private investors and responds promptly to all queries received. In conjunction with the Company's brokers and other financial advisers all relevant news is distributed in a timely fashion through appropriate channels to ensure shareholders are able to access material information on the Company's progress. The Company's website has a section for investors, which contains all publicly available financial information and news on the Company.

Going Concern

The Directors, having made suitable enquiries and analysis of the accounts, consider that the Group has adequate resources to continue in business for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. In making this assessment, the Directors have considered the Group budgets, the cash flow forecasts and associated risks and the availability of bank and leasing facilities.

AIM Rule Compliance Report

iomart Group plc is quoted on AIM and as a result the Company has complied with AIM Rule 31 which requires the following:

- Have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- Seek advice from its Nominated Advisor ("Nomad") regarding its compliance with the Rules whenever appropriate and take that advice into account;
- Provide the Company's Nomad with any information it reasonably requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Nominated Advisors, including any proposed changes to the Board and Provision of draft notifications in advance;
- Ensure that each of the Company's Directors accepts full responsibility, collectively and individually, for compliance with the AIM rules; and
- Ensure that each Director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the Director.

Quality of Personnel and Employee Involvement

The Group is committed to attracting and retaining the highest level of personnel. It strives to do this through, amongst other things, the application of high standards in recruitment. The Group is aware of the importance of good communication in relationships with its staff and also follows a policy of encouraging training.

A number of employees participate in the growth of the business through the ownership of share options with some employees also participating in the Group bonus scheme.

Business Ethics

The Board recognises that the Company is accountable to its shareholders and, at the same time, seeks to take into account the interests of all its stakeholders including customers, suppliers and subcontractors, employees, as well as the local community, and the environment in which it operates.

The Group maintains core values of Honesty, Integrity, Hard Work, Service and Quality and actively promotes these values in all activities undertaken on behalf of the Group.

Customers

The Group treats all of its customers with the utmost respect and seeks to be honest and fair in all relationships with them. The Group provides its customers with products of high quality.

Suppliers and Subcontractors

Relationships with suppliers and subcontractors are based on mutual respect, and the Group seeks to be honest and fair in its relationships with suppliers and subcontractors, and to honour the terms and conditions of its agreements in place with such suppliers and subcontractors.

The Group is aware that the giving or accepting of bribes is not acceptable business conduct.

Employees

The Group recognises the importance of its employees and that the success of the Group is due to their efforts. The Group respects the dignity and rights of all its employees. The Group provides clean, healthy and safe working conditions. An inclusive working environment and a culture of openness are maintained by the regular dissemination of information.

The Group endeavours to provide equal opportunities for all employees and facilitates the development of employees' skill sets. A fair remuneration policy is adopted throughout the Group.

The Group does not tolerate any sexual, physical or mental harassment of its employees. The Group operates an equal opportunities policy and specifically prohibits discrimination on grounds of colour, ethnic origin, gender, ages, religion, political or other opinion, disability, or sexual orientation.

Bruce Hall
Company secretary
28 May 2012

Report of the board to the members on directors' remuneration

The remuneration committee has given consideration to the UK Corporate Governance Code 2010 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 the resolution 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 2012 Total	Year ended 31 March 2011 Total
	£	£	£	£	£	£
Angus MacSween	206,000	200,600	2,351	50,000	458,951	416,673
Chris Batterham	30,000	-	-	-	30,000	30,000
Crawford Beveridge (appointed 29 September 2011)	12,500	-	-	-	12,500	-
Sarah Haran	133,900	130,900	593	28,390	293,783	260,400
Richard Logan	154,500	101,250	685	15,450	271,885	241,513
Ian Ritchie	50,000	-	-	-	50,000	50,000
Fred Shedden (resigned 29 September 2011)	15,000	-	-	-	15,000	30,000
	601,900	**432,750**	**3,629**	**93,840**	**1,132,119**	**1,028,586**

Directors' interests in shares

The interests of the directors in the shares of the company at 31 March 2012, together with their interests at 1 April 2011 were as follows:

	Number of ordinary shares	
	31 March 2012	**At 1 April 2011**
Name of director		
Angus MacSween	19,336,304	19,336,304
Chris Batterham	90,621	90,621
Crawford Beveridge (appointed 29 September 2011)	12,000	Nil
Sarah Haran	1,024,944	1,124,944
Richard Logan	100,500	100,500
Ian Ritchie	151,400	151,400

In addition, Fred Shedden, who served as a Director until his resignation on 29 September 2011, held 764,588 ordinary shares at 1 April 2011. 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	52.5p	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	52.5p	31/03/2011	350,000	31/03/2011	06/10/2018
	31/03/2010	49.5p	49.5p	52.5p	31/03/2012	450,000	31/03/2012	06/10/2018
						1,479,602		
Sarah Haran	31/03/2010	49.5p	50.5p	53.6p	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	52.5p	31/03/2010	357,087	31/03/2010	06/10/2018
	31/03/2010	49.5p	49.5p	52.5p	31/03/2011	350,000	31/03/2011	06/10/2018
	31/03/2010	49.5p	49.5p	52.5p	31/03/2012	450,000	31/03/2012	06/10/2018
						1,748,972		
Richard Logan	31/03/2010	49.5p	49.5p	52.5p	31/03/2010	221,505	31/03/2010	06/10/2018
	31/03/2010	49.5p	50.5p	53.6p	31/03/2010	500,000	31/03/2010	27/09/2017
	31/03/2010	49.5p	49.5p	52.5p	31/03/2011	350,000	31/03/2011	06/10/2018
	31/03/2010	49.5p	49.5p	52.5p	31/03/2012	450,000	31/03/2012	06/10/2018
						1,521,505		

The JSOP shares are held jointly between the director and the iomart Group plc Employee Benefit Trust. Under the terms of the JSOP rules the directors are eligible to receive the excess of any disposal proceeds received for the JSOP shares over the participation price. 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.

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 2012 in options over the ordinary shares of the Company were as follows:

Name of director	At 1 April 2011	Exercised	Surrendered	Lapsed	At 31 March 2012	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	(29,500)	-	-	120,500	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	(29,500)	-	-	198,995				

On 29 November 2011, Richard Logan exercised 29,500 share options under the Company's Enterprise Management Incentives Share Option Scheme at an exercise price of 46.5p. The market price on the date of exercise was 120.5p resulting in a gain on exercise of £21,830. No share options were exercised by directors in the previous year and no new share options were granted to directors during the year. There have been no variations to the terms and conditions or performance criteria for share options during the year.

The market price of the company's shares at the end of the financial period was 142.0p and the range of prices during the period was between 84.5p and 151.0p.

By order of the board

Crawford Beveridge
Chairman, Remuneration committee
28 May 2012

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 2012.

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

	2012	2011
Revenue	£33.5m	£25.3m
Growth	33% increase	38% increase

Revenue from continuing operations grew by 33% over the year compared to a growth of 38% in the previous year. The Hosting segment grew revenues by 38% (2011: 61%) and the Easyspace segment by 21% (2011: 3%).

	2012	2011
Adjusted EBITDA	£11.2m	£6.6m
Adjusted EBITDA margin	33%	26%

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 EQSN Limited which was acquired during the year. Easyspace has also contributed to the adjusted EBITDA margin improvement through increased revenues and operational efficiencies and the inclusion of Switch Media Limited and its subsidiaries and Global Gold Holdings Limited and its subsidiary that were acquired during the year.

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 £10.0m which was made available in order to finance business acquisitions and to finance capital expenditure. At the beginning of the year, £2.0m of this facility had been drawn down in order to fund the acquisition of Titan Internet Limited. During the year, a further £1.0m of the facility was down to fund the acquisition of Switch Media Limited and its subsidiaries in April 2011 and another £1.0m was drawn down in order to fund the acquisition of EQSN Limited in November 2011. The main risk to the Group is interest rate risk arising from floating rate interest rates. The Group's borrowings at 31 March 2012 comprise finance leases totalling £2.5m (2011: £1.8m) and a bank loan totalling £4.0m (2011: £2.0m). The interest rates on the finance leases are fixed for the term of the lease at between 3.2% and 12.2% and the average interest rate was 6.8% (2011: 6.9%). The interest rate on the bank loan is fixed for periods of either three or six months and at the moment is fixed for 6 months at 3.3% per annum excluding any draw down fees and the average annual interest rate during the year was 3.3% (2011: 3.0%). 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 2012 (2011: nil). The directors recommend a final dividend for the year ended 31 March 2012 of 0.90p per share (2011: 0.65p per share).

Directors and their interests

The present membership of the board is set out on page 23. In accordance with the company's Articles of Association, Crawford Beveridge, Angus MacSween and Richard Logan will offer themselves for re-election at the forthcoming annual general meeting.

Details of directors' interests in the company's shares are set out in the Report of the Board to the Members on Directors' Remuneration on pages 15 to 18.

Substantial shareholdings

At 22 May 2012 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	19.32%
Legal & General Investment Management	13,175,400	13.17%
Henderson Global Investors	9,909,057	9.90%
Majedie Asset Management	8,085,101	8.08%
Universities Superannuation Scheme	3,769,000	3.77%
British Steel Pension Scheme	3,768,103	3.77%
Bill Dobbie	3,454,500	3.45%
River & Mercantile Asset Management	3,259,877	3.26%

Transactions in own shares

At 31 March 2012 the iomart Group plc Employee Benefit Trust held 4,750,079 shares (2011: 4,977,184) which are accounted for as Own Shares. On 9 August 2011, 227,105 ordinary shares (2011: nil) were transferred from the Own Shares JSOP reserve following the exercise of Joint Share Ownership options by an employee.

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 2012 were 30 days (2011: 24 days), and of the company were 15 days (2011: 2 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

Bruce Hall
Company secretary

28 May 2012

Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' Report, the Report to the Members on Directors' Remuneration and the Group and 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed for the Group financial statements and whether United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) have been followed for the Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the Group and Parent Company financial statements and the Report to Members on Directors' Remuneration comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Group and Parent Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Trusted
& Accountable

"The decision to use iomart Hosting as our sole host has proved the right one. As soon as the relationship was formalised, the benefits were tangible."
Phil Davies, Director IS for Misys UK & EMEA

Board of Directors

Ian Ritchie

61, appointed 2008; currently Chairman of Computer Application Services Ltd, Interactive Design Institute Ltd, Blipfoto Ltd and Red Fox Media Ltd. He is a past President of the British Computer Society and the current Vice President (Business) of the Royal Society of Edinburgh. 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

55, 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

57, 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 chairman of Eckoh plc. Chris has also served on the boards of Staffware plc, DBS Management plc, DRS plc, Betfair plc and The Invesco Techmark Enterprise Trust plc.

Crawford Beveridge

66, appointed 2011; Crawford Beveridge CBE has over 40 years experience in the technology industry, including 16 years at Sun Microsystems ("Sun"), most recently as Executive Vice President and Chairman, EMEA, APAC and the Americas until retiring in January 2010. His business background also includes roles with Hewlett-Packard, Digital Equipment Corp., Analog Devices, non-executive director of Hitachi Global Storage Technologies, a subsidiary of Hitachi Ltd and Chief Executive of Scottish Enterprise. Current board roles include Chairman of the investment advisory board at Scottish Equity Partners and Non Executive Chairman of NASDAQ listed Autodesk.

Sarah Haran

46, 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

54, 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.

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 2012 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.

In addition to our audit of the financial statements, the directors have engaged us to audit the information in the Report of the Board to the Members on Directors' Remuneration that is described as having been audited.

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 2012 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 Report of the Board to the Members on Directors Remuneration, which we were engaged to audit, has been prepared in accordance with Rule 19 of the AIM Rules for Companies.

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 2012.

Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
28 May 2012

Consolidated Statement of Comprehensive Income

Year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Revenue		33,476	25,252
Cost of sales	4	(11,094)	(9,699)
Gross profit		**22,382**	**15,553**
Administrative expenses	4	(16,358)	(12,780)
Operating profit		**6,024**	**2,773**
Analysed as:			
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payments		11,186	6,644
Share based payments	24	(104)	(290)
Acquisition costs	6	(304)	(195)
Depreciation	4	(3,698)	(2,689)
Amortisation – acquired intangible assets	4	(604)	(316)
Amortisation – other intangible assets	4	(452)	(381)
Finance income	7	70	197
Finance costs	7	(252)	(178)
Profit before taxation		**5,842**	**2,792**
Taxation	9	356	70
Profit for the year from total operations		**6,198**	**2,862**
Other comprehensive income			
Currency translation differences		(10)	-
Other comprehensive expense for the year		**(10)**	**-**
Total comprehensive income for the year		**6,188**	**2,862**
Attributable to equity holders of the parent		**6,188**	**2,862**
Basic and diluted earnings per share			
Total operations			
Basic earnings per share	12	6.22 p	2.91 p
Diluted earnings per share	12	6.03 p	2.85 p

The following notes form part of the primary financial statements.

Consolidated Statement of Financial Position

31 March 2012

	Note	2012 £'000	2011 £'000
ASSETS			
Non-current assets			
Intangible assets – goodwill	13	27,544	23,952
Intangible assets – other	13	3,033	1,978
Deferred tax asset	10	993	619
Lease deposit	14	2,416	2,016
Property, plant and equipment	16	15,626	14,788
		49,612	**43,353**
Current assets			
Cash and cash equivalents	18	8,935	6,864
Trade and other receivables	17	4,071	3,100
		13,006	**9,964**
Total assets		**62,618**	**53,317**
LIABILITIES			
Non-current liabilities			
Non-current borrowings	21	(1,211)	(920)
		(1,211)	**(920)**
Current liabilities			
Contingent consideration due on acquisitions	20	(246)	(600)
Trade and other payables	19	(10,592)	(9,744)
Current income tax liabilities		(255)	(303)
Current borrowings	21	(5,251)	(2,846)
		(16,344)	**(13,493)**
Total liabilities		(17,555)	(14,413)
Net assets		**45,063**	**38,904**
EQUITY			
Share capital	23	1,048	1,038
Own shares		(2,351)	(2,464)
Capital redemption reserve		1,200	1,200
Share premium		20,362	19,977
Foreign currency translation reserve		(10)	-
Retained earnings		24,814	19,153
Total equity		**45,063**	**38,904**

These financial statements were approved by the board of directors on 28 May 2012.
Signed on behalf of the board of directors

Angus MacSween
Director and chief executive officer

The following notes form part of the primary financial statements.

Consolidated Statement of Cash Flows

Year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Profit before taxation		**5,842**	**2,792**
Finance costs/(income) – net	7	182	(19)
Depreciation	4	3,698	2,689
Amortisation	4	1,056	697
Share based payments	24	104	290
Exchange movements		(10)	-
Movement in lease deposits	14	(400)	(800)
Movement in trade receivables		(405)	194
Movement in trade payables		(487)	1,211
Cash flow from operations		**9,580**	**7,054**
Taxation paid		(585)	(12)
Net cash flow from operating activities		**8,995**	**7,042**
Cash flow from investing activities			
Purchase of property, plant and equipment		(2,397)	(3,419)
Capitalisation of development costs	13	(474)	(351)
Purchase of intangible assets - software	13	(89)	(197)
Payment for acquisitions net of cash acquired		(3,873)	(3,144)
Deferred consideration paid on prior period acquisition	20	(600)	(1,000)
Receipt from disposal of discontinued operation		-	795
Interest received		31	237
Net cash used in investing activities		**(7,402)**	**(7,079)**
Cash flow from financing activities			
Issue of shares		512	473
Bank loans	21	2,000	2,000
Repayment of finance leases		(1,164)	(759)
Interest paid		(227)	(137)
Dividends paid	8	(643)	(391)
Net cash received from financing activities		**478**	**1,186**
Net increase in cash and cash equivalents		**2,071**	**1,149**
Cash and cash equivalents at the beginning of the year		6,864	5,715
Cash and cash equivalents at the end of the year	**18**	**8,935**	**6,864**

The following notes form part of the primary financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2012

Changes in equity	Note	Share capital £'000	Own shares JSOP £'000	Foreign currency translation reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2010		**1,028**	**(2,464)**	**-**	**1,200**	**19,514**	**16,312**	**35,590**
Profit in the year		-	-	-	-	-	2,862	2,862
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**2,862**	**2,862**
Share based payments	24	-	-	-	-	-	290	290
Deferred tax on share based payments		-	-	-	-	-	80	80
Dividends – interim (paid)	8	-	-	-	-	-	(391)	(391)
Issue of new 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**
Profit in the year		-	-	-	-	-	6,198	6,198
Currency translation differences		-	-	(10)	-	-	-	(10)
Total comprehensive income		**-**	**-**	**(10)**	**-**	**-**	**6,198**	**6,188**
Dividends – final (paid)	8	-	-	-	-	-	(643)	(643)
Share based payments	24	-	-	-	-	-	104	104
Deferred tax on share based payments		-	-	-	-	-	(2)	(2)
Issue of own shares from JSOP		-	113	-	-	-	4	117
Issue of new shares for option redemption		10	-	-	-	385	-	395
Total transactions with owners		**10**	**113**	**-**	**-**	**385**	**(537)**	**(29)**
Balance at 31 March 2012		**1,048**	**(2,351)**	**(10)**	**1,200**	**20,362**	**24,814**	**45,063**

The following notes form part of the primary financial statements.

Community

"Colin McGregor is a great ambassador for the iomart Group. He works tirelessly for the Scouts, giving up his own time to encourage young Scouts in Scotland to gain vital life skills, learn about adventure and above all have fun."

Angus MacSween CEO, iomart Group plc

Easyspace Customer Services Manager Colin McGregor carried the Olympic Torch through Newburgh, Fife in June 2012.

Notes to the Financial Statements

Year ended 31 March 2012

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 77 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 operate.

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

There were no additional standards, amendments and interpretations that had a material impact on the Group's financial statements during the year. The following standard, amendment and interpretation were effective in the year but had no material impact on the Group's financial statements:

- IAS 24 (revised 2009) Related Party Disclosures.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement.

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 2015). 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 material impact on the Group's consolidated financial statements:

- IFRS 10 (May 2011) Consolidated Financial Statements (effective 1 January 2013).
- IFRS 11 (May 2011) Joint Arrangements (effective 1 January 2013).
- IFRS 12 (May 2011, updated January 2012) Disclosures of Interests in Other Entities (effective 1 January 2013).
- IFRS 13 (May 2011) Fair Value Measurement (effective 1 January 2013).
- IAS 27 (May 2011) Separate Financial Statements (effective 1 January 2013).
- IAS 28 (May 2011) Investments in Associates and Joint Ventures (effective 1 January 2013).
- Amendments to IFRS 7 (October 2010) Transfers of financial assets (effective 1 July 2011).
- Amendments to IAS 12 (December 2010, updated January 2011) Deferred tax: recovery of underlying assets (effective 1 January 2012).
- Amendments to IFRS 1 (December 2010) Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (effective 1 July 2011).
- Amendments to IAS 1 (June 2011) Presentation of Items of Other Comprehensive Income (effective 1 July 2011).
- Amendments to IAS 19 (June 2011) Employee Benefits (effective 1 January 2011).

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 2012. 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.

Where the Group's assessment of the net fair value of a subsidiary's net assets and liabilities is less than the fair value of the consideration including contingent consideration of the business combination then the excess is treated as goodwill. Where the Group's assessment of the net fair value of a subsidiary's net assets and liabilities exceeds the fair value of the consideration including contingent consideration of the business combination then the excess is recognised in the Statement of Comprehensive Income immediately.

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.

Easyspace

This operating segment provides domain name registration and 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 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 is capitalised on the consolidated statement of financial position and, subject to an annual impairment test, has an infinite life. 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.

2. ACCOUNTING POLICIES (CONTINUED)

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 administrative expenses in the consolidated statement of comprehensive income.

Software

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

Acquisition costs

In accordance with IFRS 3 Business Combinations, costs incurred on professional fees during an acquisition are no longer included in the overall cost of the investment in the acquired business. Consequently, these acquisition costs are included as Administrative Expenses in the Consolidated Statement of Comprehensive Income. In addition, the costs associated with integrating the acquired businesses into the Group are also included in this category. The combination of both these types of expenses is also shown in the Consolidated Statement of Comprehensive Income as acquisition costs.

Contingent consideration

Where an acquisition involves a potential payment of contingent consideration the estimate of any such payment is based on its fair value. To estimate the fair value an assessment is made as to the amount of contingent consideration which is likely to be paid having regard to the criteria on which any sum due will be calculated.

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 have immaterial residual values. The rates generally applicable are:

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors 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 13.

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.

Lease deposits

Deposits for leasehold premises are included in the Consolidated Statement of Financial Position as either non-current assets or current assets depending on the length of time to maturity. Where lease deposits are interest earning the amount of deposit is not discounted and where they not interest earning they are discounted.

Borrowings

Borrowings are initially stated at fair value 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 profit and loss account 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 profit and loss account.

2. ACCOUNTING POLICIES (CONTINUED)

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within 'finance costs' or 'finance income' except for impairment of trade receivables which is presented within 'administrative 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 profit and loss account.

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. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, cancelled or when it expires. 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.

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.

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity in the Foreign Currency Translation reserve.

Cash and cash equivalents

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

Dividends

Dividend distributions payable to equity shareholders are included in the financial statements within 'other short term financial liabilities' when a final dividend is approved in a general meeting. Interim dividend distributions to equity shareholders approved by the Board are not included in the financial statements until paid.

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.
- "Foreign currency translation reserve" represents all exchange differences on the translation of the results and financial position of Group entities that have a functional currency different from the presentation currency.
- "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. The two main vesting conditions that apply to share options relate to the achievement of annual objectives and continuous employment. 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 purposes by the Chief Operating Decision Maker. Internal reports are produced on a basis consistent with the accounting policies adopted in the 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

The Group is required to make a judgment as to whether there is any impairment of goodwill. This 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 13.

2. ACCOUNTING POLICIES (CONTINUED)

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. The Group is required to make a judgment as to what intangible assets exist within the acquired business at the time of the acquisition. When reviewing the existence of intangible assets consideration has been given to potential intangible assets such as customer relationships and brand. The estimation of 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 11.

Reinstatement provisions

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. If the likelihood of this liability arising is judged to be possible, rather than probable, it is disclosed as a contingent liability. The likelihood of certain datacentre leasehold premises requiring restoration to their original office space layout has been assessed as only possible, rather than probable, and as a result the discounted cost of the liability has not been included in leasehold improvements and therefore has not been depreciated.

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 Group 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. Switch Media Limited and Global Gold Holdings Limited were acquired during the year and have been reported as part of the Easyspace segment since acquisition.

- 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, EQSN and iomart Cloud Services. EQSN 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, Tax, 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.

3. SEGMENTAL ANALYSIS (CONTINUED)

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.

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

	2012			2011		
	External £'000	Internal £'000	Total £'000	External £'000	Internal £'000	Total £'000
Easyspace	9,131	-	9,131	7,558	-	7,558
Hosting	24,345	955	25,300	17,694	896	18,590
	33,476	**955**	**34,431**	**25,252**	**896**	**26,148**

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

	2012 £'000	2011 £'000
United Kingdom	29,726	22,585
Rest of the World	3,750	2,667
Revenue from operations	**33,476**	**25,252**

Profit by Operating Segment

	2012			2011		
	EBITDA before acquisition costs and share based payments £'000	Depreciation, amortisation, acquisition costs and share based payments £'000	Operating profit/(loss) £'000	EBITDA before acquisition costs and share based payments £'000	Depreciation, amortisation, acquisition costs and share based payments £'000	Operating profit/(loss) £'000
Easyspace	3,600	(350)	3,250	2,794	(35)	2,759
Hosting	10,097	(4,404)	5,693	6,178	(3,351)	2,827
Group overheads	(2,511)	-	(2,511)	(2,328)	-	(2,328)
Acquisition costs	-	(304)	(304)	-	(195)	(195)
Share based payments	-	(104)	(104)	-	(290)	(290)
	11,186	(5,162)	6,024	6,644	(3,871)	2,773
Group interest and tax			174			89
Profit for the year	**11,186**	**(5,162)**	**6,198**	**6,644**	**(3,871)**	**2,862**

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:

	2012 £'000	2011 £'000
Staff costs excluding development costs capitalised and research and development costs written off the statement of comprehensive income	9,376	7,582
Depreciation of property plant and equipment		
- Owned assets	2,816	2,031
- Leased assets	882	658
Property, plant and equipment hire		
- Land and buildings	1,702	1,683
- Plant and machinery	182	239
Amortisation of intangible assets		
- Acquired intangible assets	604	316
- Other intangible assets	452	381
R&D expensed to statement of comprehensive income	68	62
Marketing and sales	493	622
Infrastructure	431	434
Provision for doubtful debts	29	71
Premises and office	5,487	4,376

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

Auditors' remuneration	2012 £'000	2011 £'000
- Fees payable for the audit of the consolidation and the parent company accounts	30	26
- Fees payable for audit of subsidiaries, pursuant to legislation	49	38
- Tax compliance fees	27	19
- Corporate finance and advisory transactions	17	55
	123	**138**

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2012 £'000	2011 £'000
Directors' emoluments		
Aggregate emoluments	1,038	881
Pension contributions to personal money purchase schemes	94	148
Share based payments	69	157
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	409	297
Pension contributions to personal money purchase schemes	50	120

During the year the company made personal pension contributions to the personal pension schemes of 3 directors (2011: 3).
The aggregate amount of gains realised by directors on the exercise of share options during the year was £21,830 (2011: £nil).
The detailed numerical analysis of directors' remuneration and share options is included in the Report of the Board to the Members on Directors' Remuneration on pages 15 to 18.

	2012 No.	2011 No.
Average number of persons employed by the Group (including directors):		
Technical	104	76
Customer services	27	20
Sales and marketing	54	39
Administration	26	25
	211	**160**

	2012 £'000	2011 £'000
Staff costs of the Group during the year in respect of employees and directors were:		
Wages and salaries	8,849	6,964
Social security costs	869	664
Other pension costs	96	77
Share based payments	104	290
	9,918	**7,995**

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 Report of the Board to the Members on Directors' Remuneration on pages 15 to 18. 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. ACQUISITION COSTS

	2012 £'000	2011 £'000
Professional fees	137	195
Non-recurring integration costs	167	-
Total acquisition costs	**304**	**195**

During the year costs of £137,000 (2011: £195,000) were incurred in respect of professional fees on various acquisitions. In addition to these professional fees, one-off costs of £167,000 (2011: £nil) directly related to the integration of acquisitions into the Group were also incurred.

7. NET FINANCE COST

	2012 £'000	2011 £'000
Finance income:		
Bank interest receivable	58	45
Other interest income	12	152
Finance income for the year	**70**	**197**
Finance expenses:		
Bank loan	(123)	(25)
Finance leases	(123)	(112)
Other interest payable	(6)	(41)
Finance expense for the year	**(252)**	**(178)**
Net finance cost	**(182)**	**19**

Included in other interest income is £12,000 (2011: £40,000) in respect of leasehold deposits and £nil (2011: £112,000) in relation to interest earned on sums held in escrow.

8. DIVIDENDS ON SHARES CLASSED AS EQUITY

	2012 Pence per share	2012 £'000	2011 Pence per share	2011 £'000
Paid during the year:				
Final dividend – for year ended 31 March 2011				
Equity dividends on ordinary shares	0.65p	643	-	-
Interim dividend – for year ended 31 March 2010				
Equity dividends on ordinary shares	-	-	0.4p	391
		643		**391**

The directors have recommended a final dividend for the year ended 31 March 2012 of 0.90p per share (2011: 0.65p per share). Subject to shareholder approval this proposed final dividend would be payable on 5 September 2012 to shareholders on the register as of 17 August 2012.

9. TAXATION

	2012 £'000	2011 £'000
Tax charge for the year	(249)	(183)
Adjustment relating to prior year	(134)	33
Total current taxation	(383)	(150)
Origination and reversal of temporary differences	770	220
Effect of changes in tax rates	(31)	-
Total deferred taxation credit	739	220
Total taxation credit	**356**	**70**

The Group has a deferred tax asset which has been recognised in respect of tax losses within four 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:

	2012 £'000	2011 £'000
Profit before tax	5,842	2,792
Tax charge @ 26% (2011 – 28%)	1,519	782
Expenses disallowed for tax purposes	82	25
Non-taxable income	(304)	-
Adjustments in respect of prior years	134	(33)
Movement in deferred tax relating to changes in tax rates	31	-
Effect of research and development tax reliefs	(73)	(50)
Tax effect of share based remuneration	(219)	(191)
Effect of intangible asset tax reliefs	(7)	(7)
Movement in unprovided deferred tax related to fixed assets	128	130
Movement in unprovided deferred tax related to other timing differences	(26)	9
Movement in deferred tax relating to prior years	(180)	-
Increase in tax losses utilised and recognised	(1,441)	(735)
Taxation credit for the year	**(356)**	**(70)**

The weighted average applicable tax rate for the year ended 31 March 2012 was 26% (2011: 28%). The total current tax charge of £249,000 (2011: £183,000) on operations represents 4.3% (2011: 6.6%) of the Group profit before tax of £5,842,000 (2011: £2,792,000). A number of changes to the UK Corporation tax system were announced in the March 2012 Budget Statement with the main rate of corporation tax reduced from 26% to 24% from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. It is expected that the effect of these changes will have an immaterial impact on the deferred tax asset currently recognised.

10. DEFERRED TAX

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

	2012		2011	
	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000
Tax losses carried forward	2,152	-	1,971	1,386
Share based remuneration	381	-	354	-
Capital allowances timing differences	67	-	-	-
Deferred tax on acquired assets with no capital allowances	(1,059)	-	(1,367)	-
Deferred tax on customer relationships	(548)	-	(339)	-
Deferred tax	**993**	**-**	**619**	**1,386**

At the year end, the Group has unused tax losses of £9.0m (2011: £13.2m) available for offset against future profits. A deferred tax asset has been recognised in respect of £9.0m (2011: £7.7m) of such losses as these losses are 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	Capital allowances timing differences £'000	Deferred tax on acquired assets with no capital allowances £'000	Customer relationships £'000	Total £'000
Balance at 1 April 2011	1,971	354	-	(1,367)	(339)	619
Acquired on acquisition of subsidiary	52	-	(26)	-	(389)	(363)
Credited to equity	-	(2)	-	-	-	(2)
(Charged)/credited to statement of comprehensive income	304	86	100	122	158	770
Effect of changes in tax rates	(175)	(57)	(7)	186	22	(31)
Balance at 31 March 2012	**2,152**	**381**	**67**	**(1,059)**	**(548)**	**993**

The deferred tax asset in relation to tax losses carried forward arises from unutilised tax losses in both operating segments. 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 operating segments, 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 capital allowances timing differences arises mainly from plant and equipment in the Hosting segment where the tax written down value varies from the net book value.

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

The deferred tax on customer relationships arises from timing differences on acquired intangible assets.

11. ACQUISITIONS

Switch Media

The Group acquired 100% of the issued share capital of Switch Media Limited and its subsidiaries ("Switch Media") on 26 April 2011. This transaction has been 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 its hosting operations both organically and by acquisition. During the current year the Group incurred £12,000 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 2012. In the prior year, £76,000 of third party acquisition related costs were incurred and these were included in administrative expenses in the Group's consolidated statement of comprehensive income for the year ending 31 March 2011.

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

	£'000
Recognised amounts of net assets acquired and liabilities assumed:	
Cash and cash equivalents	126
Trade and other receivables	37
Current deferred tax asset	52
Property, plant and equipment	24
Intangible assets	388
Trade and other payables	(571)
Current deferred tax liability	(39)
Non-current deferred tax liability	(60)
Identifiable net liabilities	**(43)**
Goodwill	1,293
Total consideration	**1,250**
Satisfied by:	
Cash	1,025
Contingent consideration	225
Total consideration transferred	**1,250**

The acquisition of Switch Media included a contingent consideration arrangement that required additional consideration to be paid by the Group for Switch Media subject to the integration of that business operation into the Group, the transfer of Switch Media's provisioning platforms to existing Group platforms and the transfer of Switch Media's server estate to the Group's datacentres. During the year £225,000 was paid by the Group in relation to this acquisition and there are no further amounts of contingent consideration due to be paid.

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 only invoiced after cash has been received and therefore the fair value of the assets does not include any trade receivables.

The fair value included in respect of the acquired customer relationships intangible asset is £388,000, which is a final valuation.

11. ACQUISITIONS (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 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.

The fair values of the acquired assets, liabilities and goodwill for Switch Media are final valuations.

Switch Media earned revenue of £1,179,000 and made profits after tax from operations of £233,000 in the period since acquisition.

EQSN

The Group acquired 100% of the issued share capital of EQSN Limited on 23 November 2011. This transaction has been accounted for by the acquisition method of accounting.

EQSN provides colocation and managed hosting facilities and services to the larger SME and corporate markets and the acquisition is in line with the Group's strategy to grow its hosting operations both organically and by acquisition.

During the current year the Group incurred £64,000 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 2012.

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

	£'000
Recognised amounts of net assets acquired and liabilities assumed:	
Cash and cash equivalents	221
Trade and other receivables	354
Property, plant and equipment	104
Intangible assets	979
Trade and other payables	(251)
Current income tax liabilities	(70)
Borrowings	(24)
Current deferred tax liability	(57)
Non-current deferred tax liability	(205)
Identifiable net assets	**1,051**
Goodwill	1,424
Total consideration	**2,475**

Satisfied by:	
Cash	2,250
Contingent consideration	225
Total consideration transferred	**2,475**

The acquisition of EQSN includes a contingent consideration arrangement that requires additional consideration of £225,000 to be paid by the Group for EQSN subject to the integration of that business operation into the Group. The maximum value of contingent consideration has been paid subsequent to the year end and therefore £225,000 has been accrued in respect of this contingent consideration.

The goodwill arising on the acquisition of EQSN is attributable to the specialised, industry specific knowledge of the management and staff and the anticipated future operating synergies from the combination. The goodwill is not expected to be deductible for tax purposes.

11. ACQUISITIONS (CONTINUED)

The fair value of the assets acquired includes trade receivables of £303,000. The gross amount due under contracts is £320,000 and value of trade receivables against which there is a provision is £17,000.

The fair value included in respect of the acquired customer relationships intangible asset is £979,000, which has been determined on a provisional basis pending a final review.

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 11.8% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 8 years.

The name EQSN Limited is not actively advertised or promoted, with the majority of EQSN's business being generated from existing customers or by word of mouth. EQSN has given a commitment to customers not to sell, distribute or lease information held regarding them without their permission. No value has therefore been attributed to either the trade name/brand or to the customer lists acquired at the acquisition date.

EQSN earned revenue of £807,000 and made profits after tax from operations of £36,000 in the period since acquisition.

Global Gold

The Group acquired 100% of the issued share capital of Global Gold Holdings Limited and its subsidiary ("Global Gold") on 24 November 2011. This transaction has been accounted for by the acquisition method of accounting.

Global Gold supplies domain registration, web hosting and email services to its client base primarily in the UK and the acquisition is in line with the Group's strategy to grow its hosting operations both organically and by acquisition.

During the current year the Group incurred £61,000 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 2012.

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

	£'000
Recognised amounts of net assets acquired and liabilities assumed:	
Cash and cash equivalents	6
Trade and other receivables	137
Property, plant and equipment	265
Intangible assets	181
Trade and other payables	(490)
Current income tax liabilities	(84)
Current borrowings	(53)
Non-current borrowings	(35)
Current deferred tax liability	(19)
Non-current deferred tax liability	(35)
Identifiable net liabilities	(127)
Goodwill	875
Total consideration	**748**
Satisfied by:	
Cash	680
Settlement of directors' loan accounts	47
Contingent consideration	21
Total consideration transferred	**748**

11. ACQUISITIONS (CONTINUED)

The acquisition of Global Gold includes a contingent consideration arrangement that requires additional consideration to be paid by the Group for Global Gold subject to the levels of working capital and debt at the date of acquisition, the annualised revenue at 31 March 2012, and to the integration of the business operation into the Group, the transfer of Global Gold's provisioning platforms to existing Group platforms and the transfer of Global Gold's server estate to the Group's datacentres. The maximum contingent consideration payable is £500,000. The levels of working capital and debt at the date of acquisition have now been quantified and agreed with the vendors and the value of annualised revenue at 31 March 2012 has also been agreed. The agreed amount of contingent consideration which has been paid subsequent to the year end was £21,000 and therefore £21,000 has been accrued in respect of this contingent consideration.

The goodwill arising on the acquisition of Global Gold is attributable to 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 £50,000. The gross amount due under contracts is £74,000 and value of trade receivables against which there is a provision is £24,000.

The fair value included in respect of the acquired customer relationships intangible asset is £181,000, which has been determined on a provisional basis pending a final review.

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 Global Gold is not actively advertised or promoted, with the majority of Global Gold's business being generated from existing customers or by word of mouth. Global Gold has given a commitment to customers not to use for any purpose, other than the service agreement, any confidential information received from the customer. No value has therefore been attributed to either the trade name/brand or to the customer lists acquired at the acquisition date.

Global Gold earned revenue of £326,000 and incurred losses after tax from operations of £58,000 in the period since acquisition.

Pro-forma full year information

The following summary presents the Group as if the businesses acquired during the year had all been acquired on 1 April 2011. The amounts include the results of the acquired businesses and depreciation and amortisation of the acquired fixed assets and intangible assets recognised on acquisition. The amounts do not include any possible synergies from the acquisitions. The information is provided for illustrative purposes only and does not necessarily reflect the actual results that would have occurred, nor is it necessarily indicative of the future results of the combined companies.

	Pro-forma year ended 31 March 2012 £'000
Revenue	35,656
Profit after tax for the year	6,042

12. 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"). 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 adjusting for the dilutive potential ordinary shares relating to share options, including the dilutive effect of JSOP shares that have vested.

Total operations	**2012 £'000**	**2011 £'000**
Profit for the financial year and basic earnings attributed to ordinary shareholders	6,198	2,862
Weighted average number of ordinary shares:	**No 000**	**No 000**
Called up, allotted and fully paid at start of year	103,840	102,753
Shares held by Employee Benefit Trust	(4,832)	(4,977)
New shares issued during year (weighted average)	623	674
Weighted average number of ordinary shares - basic	**99,631**	**98,450**
Dilutive impact of share options	780	958
Dilutive impact of JSOP shares	2,372	1,026
Weighted average number of ordinary shares - diluted	**102,783**	**100,434**
Basic earnings per share	6.22 p	2.91 p
Diluted earnings per share	6.03 p	2.85 p

Adjusted earnings per share	**2012 £'000**	**2011 £'000**
Profit for the financial year and basic earnings attributed to ordinary shareholders	6,198	2,862
Add: Amortisation of acquired intangible assets	604	316
Add: Acquisition costs	304	195
Add: Shared based payments	104	290
Less: Tax impact of adjusted items	(247)	(163)
Adjusted profit for the financial year and adjusted earnings attributed to ordinary shareholders	**6,963**	**3,500**
Adjusted basic earnings per share	6.99 p	3.56 p
Adjusted diluted earnings per share	6.77 p	3.48 p

13. INTANGIBLE ASSETS

	Goodwill £'000	Development costs £'000	Customer relationships £'000	Software £'000	Domain names £'000	Total £'000
Cost						
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 1 April 2011	**23,952**	**1,111**	**1,919**	**491**	**31**	**27,504**
Additions	3,592	-	-	89	-	3,681
Acquired on acquisition of subsidiary	-	-	1,548	-	-	1,548
Development cost capitalised	-	474	-	-	-	474
At 31 March 2012	**27,544**	**1,585**	**3,467**	**580**	**31**	**33,207**
Accumulated amortisation:						
At 1 April 2010	-	(378)	(261)	(229)	(9)	(877)
Charge for the year	-	(275)	(316)	(96)	(10)	(697)
At 1 April 2011	**-**	**(653)**	**(577)**	**(325)**	**(19)**	**(1,574)**
Charge for the year	-	(335)	(604)	(107)	(10)	(1,056)
At 31 March 2012	**-**	**(988)**	**(1,181)**	**(432)**	**(29)**	**(2,630)**
Carrying amount:						
At 31 March 2012	**27,544**	**597**	**2,286**	**148**	**2**	**30,577**
At 31 March 2011	23,952	458	1,342	166	12	25,930

All amortisation and impairment charges are included in the depreciation, amortisation and impairment of non-financial assets classification, which is disclosed as administrative 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 (2011: nil) arose as a result of this review. For this review goodwill was allocated to individual Cash Generating Units (CGU) on the basis of the Group's operations. The goodwill acquired in the Switch Media and Global Gold acquisitions in the current year has been allocated to the Easyspace CGU and the goodwill acquired in the EQSN acquisition has been allocated to the Hosting CGU which relate to the CGUs expected to benefit from the respective business combinations. The carrying value of goodwill by each CGU is as follows:

Cash Generating Units (CGU)	2012 £'000	2011 £'000
Easyspace	14,482	12,314
Hosting	13,062	11,638
	27,544	**23,952**

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 the Board covering a two-year period. Cash flows beyond the two-year period are extrapolated using the estimated growth rates stated below.

13. 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	10%	12%
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.

14. LEASE DEPOSIT

The lease deposit of £2,416,000 (2011: £2,016,000) 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.

15. 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	Scotland	Managed hosting services	100	-
EQSN Limited	Scotland	Managed hosting services	100	-
iomart Virtual Servers Hosting Limited	Scotland	Dormant	100	-
Netintelligence Limited	Scotland	Dormant	100	-
Easyspace Limited	England	Webservices	100	-
Switch Media Limited	England	Webservices	100	-
Switch Media (Ireland) Limited	England	Webservices	-	100
Global Gold Networks Limited	England	Webservices	-	100
Global Gold Holdings Limited	England	Non-trading	100	-
Rapidswitch Limited	England	Non-trading	100	-
Titan Internet Limtied	England	Managed hosting services	100	-
iomart Datacentres Limited	England	Datacentre services	100	-
Internetters Limited	England	Dormant	-	100
NicNames Limited	England	Dormant	-	100
Web Genie Internet Limited	England	Non-trading	-	100

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Property £'000	Leasehold improvements £'000	Datacentre Equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:							
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 1 April 2011	**837**	**3,524**	**8,795**	**7,973**	**801**	**38**	**21,968**
Additions in the year	-	74	937	3,115	17	-	4,143
Acquisition of subsidiaries	-	26	-	359	8	-	393
At 31 March 2012	**837**	**3,624**	**9,732**	**11,447**	**826**	**38**	**26,504**
Accumulated depreciation:							
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 1 April 2011	**(40)**	**(593)**	**(2,038)**	**(4,033)**	**(474)**	**(2)**	**(7,180)**
Charge for the year	(19)	(228)	(793)	(2,561)	(80)	(17)	(3,698)
Disposals in the year	-	-	-	-	-	-	-
At 31 March 2012	**(59)**	**(821)**	**(2,831)**	**(6,594)**	**(554)**	**(19)**	**(10,878)**
Carrying amount:							
At 31 March 2012	**778**	**2,803**	**6,901**	**4,853**	**272**	**19**	**15,626**
At 31 March 2011	**797**	**2,931**	**6,757**	**3,940**	**327**	**36**	**14,788**

The net book value of computer equipment held under finance lease at 31 March 2012 was £2,253,000 (2011: £1,735,000).

17. TRADE AND OTHER RECEIVABLES

	2012 £'000	2011 £'000
Trade receivables	2,431	1,358
Less: Provision for impairment	(371)	(177)
Trade receivables (net)	**2,060**	**1,181**
Other receivables	301	240
Prepayments and accrued income	1,710	1,679
Trade and other receivables	**4,071**	**3,100**

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.

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

To consider the total exposure to credit risks, the Group uses figures net of VAT. At 31 March 2012, £1,391,000 (2011: £686,000) of net trade receivables were fully performing. Net trade receivables of £669,000 (2011: £495,000) 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. Trade receivables consist of a large number of customers in various industries and geographical areas. The Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The aging below shows that almost all are less than three months old and 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.

	2012 £'000	2011 £'000
Up to 3 months	599	434
Over 3 months but less than 6 months	34	33
Over 6 months but less than 1 year	36	28
Total unimpaired trade receivables which are past due	**669**	**495**

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

	2012 £'000	2011 £'000
Balance at start of the year	177	124
Provision for receivables impairment	153	53
Acquired during the year	41	-
Balance at end of year	**371**	**177**

18. CASH AND CASH EQUIVALENTS

	2012 £'000	2011 £'000
Cash at bank and on hand	8,935	6,864
Cash and cash equivalents	**8,935**	**6,864**

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 0.88% (2011: 0.51%).

19. TRADE AND OTHER PAYABLES

	2012 £'000	2011 £'000
Trade payables	(1,751)	(1,377)
Other taxation and social security	(970)	(596)
Accruals	(3,335)	(3,407)
Deferred income	(4,536)	(4,364)
Trade and other payables	**(10,592)**	**(9,744)**

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. CONTINGENT CONSIDERATION

	2012 £'000	2011 £'000
Contingent consideration due on acquisitions:		
- Titan Internet Limited	-	(600)
- EQSN Limited	(225)	-
- Global Gold Holdings Limited	(21)	-
Total contingent consideration due on acquisitions	**(246)**	**(600)**

Subsequent to the year end both contingent considerations have been settled.

21. BORROWINGS

	2012 £'000	2011 £'000
Current:		
Obligations under finance leases	(1,251)	(846)
Bank loans	(4,000)	(2,000)
Current borrowings	**(5,251)**	**(2,846)**
Non-current:		
Obligations under finance leases	(1,211)	(920)
Total non-current borrowings	(1,211)	(920)
Total borrowings	**(6,462)**	**(3,766)**

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:

	2012			2011		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	1,251	123	1,374	846	92	938
Due between two and five years	1,211	66	1,277	920	44	964
	2,462	**189**	**2,651**	**1,766**	**136**	**1,902**

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 6.8% (2011: 6.9%). Lease payments are made on a monthly and quarterly basis. The future lease obligation of £2,651,000 (2011: £1,902,000) has a present value of £2,452,000 (2011: £1,846,000).

The Group has a multi option revolving credit facility of £10m which was made available in order to finance business acquisitions and to finance capital expenditure. In the previous year, in order to fund the acquisition of Titan Internet Limited, £2.0m of this facility was drawn down in November 2010. In the current year, in order to fund the acquisition of Switch Media Limited £1.0m was drawn down in April 2011 and in order to fund the acquisition of EQSN Limited in November 2011 a further £1.0m was drawn down. As a consequence the total draw down on the facility as at 31 March 2012 is £4.0m (2011: £2.0m). The interest rate on the bank loan is fixed for periods of either 3 or 6 months and is currently fixed for a 6 month term at 3.3% per annum (2011: 3.0%) which results in an effective annual interest rate, which includes the cost of draw down fees, of 3.8% (2011: 5.0%). Due to the short term nature of the loan, the future loan obligation of £4,076,000 (2011: £2,030,000) 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:

	2012		2011	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	1,729	215	2,222	181
Between two to five years	5,703	873	5,189	252
After five years	4,885	1,726	6,006	381
	12,317	**2,814**	**13,417**	**814**

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 2012, the total future minimum sub-lease payments expected to be received under non-cancellable sub-leases were £181,000 (2011: £226,000).

23. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2010, 2011, and 2012	**200,000,000**	**2,000**
Called up, allotted and fully paid		
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**
Exercise of options	977,561	10
At 31 March 2012	**104,817,404**	**1,048**

During the year the Company issued 977,561 (2011: 1,087,244) ordinary shares of 1p each in respect of the exercise of share options by employees for which a net total of £396,314 (2011: £473,000) was received.

On 9 August 2011, 227,105 ordinary shares (2011: nil) were transferred from the Own Shares JSOP reserve following the exercise of Joint Share Ownership options by an employee. The exercise price of the JSOP option was 51.47p and the market price on the exercise date was 97.0p (2011: nil). As at 31 March 2012 the Company held 4,750,079 shares (2011: 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 £47,501 (2011: £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 £2,351,289 (2011: £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 15-18, 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 2012 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.

During the year, options over 977,561 ordinary shares (2011: 1,087,244) were exercised and the average market price at the exercise dates was 103.8p (2011: 66.6p). The weighted average remaining contractual life is 6 years (2011: 7 years).

As disclosed in note 4, a share based payment charge of £104,000 (2011: £290,000) 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. No new share options were granted in the year (2011: 580,000).

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 2012										
Details				Options for shares outstanding						Vested options for shares not yet exercised
Exercise price	Grant date	Exercise date	Expiry date	31 March 2011	Issued	Expired	Forfeited	Exercised	31 March 2012	31 March 2012
Enterprise management incentive scheme										
6.25	02/07/2003	02/07/2004	02/07/2013	42,081	-	-	-	(3,333)	38,748	38,748
6.25	02/07/2003	02/07/2005	02/07/2013	42,083	-	-	-	(3,333)	38,750	38,750
6.25	02/07/2003	02/07/2006	02/07/2013	42,086	-	-	-	(3,334)	38,752	38,752
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	50,000	-	-	-	(50,000)	-	-
43.50	20/12/2007	20/06/2008	20/12/2017	60,000	-	-	-	(50,000)	10,000	10,000
43.50	20/12/2007	20/12/2008	20/12/2017	110,000	-	-	-	(68,500)	41,500	41,500
43.50	20/12/2007	20/06/2009	20/12/2017	110,000	-	-	-	(50,000)	60,000	60,000
43.50	20/12/2007	20/12/2009	20/12/2017	69,770	-	-	-	(29,885)	39,885	39,885
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	136,021	-	-	-	(76,344)	59,677	59,677
46.50	29/09/2008	31/03/2010	29/09/2018	50,001	-	-	-	(33,334)	16,667	16,667
46.50	29/09/2008	31/03/2011	29/09/2018	83,331	-	-	-	(66,665)	16,666	16,666
46.50	06/10/2008	31/03/2009	06/10/2018	235,923	-	-	-	(29,500)	206,423	206,423
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	100,000
37.00	11/05/2009	31/03/2010	11/05/2019	225,000	-	-	-	(225,000)	-	-
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	-
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	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	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)	-	-	-	-
46.50	29/09/2008	31/03/2010	29/09/2018	69,086	-	-	-	-	69,086	69,086
46.50	29/09/2008	31/03/2011	29/09/2018	183,332	-	-	-	(33,333)	149,999	149,999
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)	-	-	-
90.50	29/10/2010	01/04/2011	29/10/2020	34,071	-	-	-	-	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										
13.50	26/09/2001	26/09/2004	26/09/2011	5,000	-	-	-	(5,000)	-	-
Total				3,592,712	-	(50,000)	(500,000)	(977,561)	2,065,151	1,545,153
Weighted Average Exercise price				**50.27p**	**-**	**11.75p**	**37.00p**	**40.54p**	**59.03p**	**54.85p**

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	Excercissed	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	01/04/2011	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				**48.23p**	**88.79p**	**-**	**46.50p**	**43.39p**	**50.27p**	**51.02p**

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 2012										
Details				Options for shares outstanding						Vested options for JSOP shares not yet exercised
Exercise price	Grant date	Exercise date	Expiry date	31 March 2011	Issued	Surrenderd	Exercised	Expired	31 March 2012	31 March 2012
Joint Share Ownership Plan										
52.51	31/03/2010	31/03/2010	06/10/2018	935,582	-	-	-	-	935,582	935,582
52.51	31/03/2010	31/03/2011	06/10/2018	1,050,000	-	-	-	-	1,050,000	1,050,000
52.51	31/03/2010	31/03/2012	06/10/2018	1,350,000	-	-	-	-	1,350,000	1,350,000
53.58	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
51.47	31/03/2010	31/03/2010	20/12/2017	20,115	-	-	(20,115)	-	-	-
51.47	31/03/2010	20/06/2010	20/12/2017	50,000	-	-	(50,000)	-	-	-
51.47	31/03/2010	31/03/2010	29/09/2018	90,324	-	-	(90,324)	-	-	-
51.47	31/03/2010	31/03/2011	29/09/2018	66,666	-	-	(66,666)	-	-	-
Total				4,977,184	-	-	(227,105)	-	4,750,079	4,750,079
Weighted Average Exercise price				**53.95p**	**n/a**	**n/a**	**51.47p**	**n/a**	**55.45p**	**55.45p**

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**

25. RELATED PARTY TRANSACTIONS

Dividends paid to key management (only directors are deemed to fall into this category) were as follows:

	2012 £'000	2011 £'000
Angus MacSween	126	77
Chris Batterham	1	-
Sarah Haran	7	4
Richard Logan	1	-
Ian Ritchie	1	1
Fred Shedden (resigned 29 September 2011)	5	3
Total dividends paid to directors	**141**	**85**

The only other related party transactions in the year were the salary payments to key management as disclosed in note 5 and the Report to the Board to the Members on Directors' Remuneration on pages 15-18.

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 2012 (2011: nil).

(b) Commitments

Capital expenditure on property, plant and equipment committed by the Group at 31 March 2012 was £74,000 (2011: £83,000).

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.

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

27. RISK MANAGEMENT (CONTINUED)

	Loans and receivables £'000	Designated at fair value through profit or loss £'000	Total £'000
2012			
Non-current:			
Lease deposit	2,416	-	2,416
Current:			
Trade receivables	2,060	-	2,060
Cash and cash equivalents	8,935	-	8,935
Other receivables	301	-	301
Total for category	**13,712**	**-**	**13,712**
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**

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

	At fair value through profit or loss £'000	Financial liabilities measured at amortised cost £'000	Other (non-IAS 39) £'000	Total £'000
2012				
Non-current:				
Finance leasing capital obligations	-	-	(1,211)	(1,211)
Current:				
Trade payables	-	(1,751)	-	(1,751)
Accruals	-	(3,335)	-	(3,335)
Bank loan	-	-	(4,000)	(4,000)
Contingent consideration due on acquisition	-	(246)	-	(246)
Finance leasing capital obligations	-	-	(1,251)	(1,251)
Forward foreign exchange contracts	(21)	-	-	(21)
Total for category	**(21)**	**(5,332)**	**(6,462)**	**(11,815)**
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)**

The forward foreign exchange contracts noted in the above table are considered to be Level 2 financial assets per the fair value hierarchy classifications under IFRS 7 'Financial Instruments: Disclosures', as their price is based on inputs other than quoted prices that are observable for the asset, either directly or indirectly.

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 and the interest rate on the Group's revolving credit facility is based on LIBOR plus a margin.

Currency risk

During the year the Group made payments totalling US$1.9m (2011: US$1.8m) 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 $1,800,000 (2011: $840,000) for a total of £1,148,000 (2011: £555,000), at an average exchange rate of US$:GBP of 1.57 (2011: 1.51) over the period to March 2013. The fair value of these currency contracts is estimated to be approximately a loss of £21,000 (2011: loss £30,000). 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 which at the moment is no less than £5m. 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 covenants under its 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 £2,060,000 (2011: £1,181,000) 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.

Customer Focused

"As we win bigger and more complex contracts it's great to know that we have got a hosting partner that is prepared to go that extra mile for us and adapt as our requirements change."
Vincent Cassidy, Group IT Director, o2o

Holding Company Financial Statements

Year ended 31 March 2012

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 2012 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 2012;
- 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

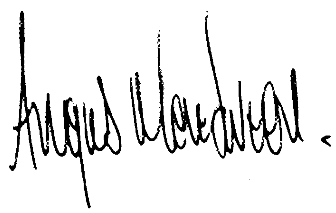
We have reported separately on the Group financial statements of iomart Group plc for the year ended 31 March 2012.

Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
28 May 2012

BALANCE SHEET

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Investments	3	35,782	31,098
		35,782	31,098
CURRENT ASSETS			
Debtors	4	13,820	14,151
Cash at bank and in hand		8,083	5,981
		21,903	20,132
CREDITORS: amounts falling due within one year	**6**	**(17,923)**	**(10,433)**
NET CURRENT ASSETS		**3,980**	**9,699**
NET ASSETS		39,762	40,797
CAPITAL AND RESERVES			
Called up share capital	7	1,048	1,038
Own shares	8	(2,351)	(2,464)
Capital redemption reserve	8	1,200	1,200
Share premium account	8	20,362	19,977
Profit and loss account	8	19,503	21,046
TOTAL EQUITY SHAREHOLDERS' FUNDS		**39,762**	**40,797**

These financial statements were approved by the board of directors on 28 May 2012.
Signed on behalf of the board of directors



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

The following notes form part of the primary financial statements.

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. The carrying value of the investment in all companies transferred is considered together against the future cash flows 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 January 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".

1. ACCOUNTING POLICIES (CONTINUED)

Share-based payment (continued)
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. (LOSS)/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 (loss)/profit for the financial period after taxation was £1,006,000 (2011: profit £807,000).

3. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2011	32,796
Additions	4,687
Share based payment	21
Cost at 31 March 2012	**37,504**
Impairment	
At 1 April 2011	(1,698)
Charge for the year	(24)
Impairment at 31 March 2012	**(1,722)**
Net book value of Investments at 31 March 2012	**35,782**
Net book value of Investments at 31 March 2011	31,098

All of the above investments are unlisted.

3. 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	Scotland	Managed hosting services	100	-
EQSN Limited	Scotland	Managed hosting services	100	-
iomart Virtual Servers Hosting Limited	Scotland	Dormant	100	-
Netintelligence Limited	Scotland	Dormant	100	-
Easyspace Limited	England	Webservices	100	-
Switch Media Limited	England	Webservices	100	-
Switch Media (Ireland) Limited	England	Webservices	-	100
Global Gold Networks Limited	England	Webservices	-	100
Global Gold Holdings Limited	England	Non-trading	100	-
Rapidswitch Limited	England	Non-trading	100	-
Titan Internet Limtied	England	Managed hosting services	100	-
iomart Datacentres Limited	England	Datacentre services	100	-
Internetters Limited	England	Dormant	-	100
NicNames Limited	England	Dormant	-	100
Web Genie Internet Limited	England	Non-trading	-	100

4. DEBTORS

	2012 £'000	2011 £'000
Prepayments and accrued income	163	160
Other debtors	5	1
Other taxation and social security	172	220
Deferred taxation (note 5)	381	354
Amounts owed by subsidiary undertakings	13,099	13,416
	13,820	**14,151**

5. DEFERRED TAXATION

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

	2012		2011	
	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000
Share based remuneration	381	-	354	-

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

	2012 £'000	2011 £'000
Balance brought forward	354	72
Profit and loss account movement arising during the year	29	202
Profit and loss account reserve movement during the year	(2)	80
Balance carried forward	**381**	**354**

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

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Trade creditors	87	8
Other taxation and social security	43	41
Accruals and deferred income	653	710
Contingent consideration	246	600
Bank loan	4,000	2,000
Amounts owed to subsidiary undertakings	12,894	7,074
	17,923	**10,433**

7. SHARE CAPITAL

	Ordinary shares of 1p each Number of shares	£'000
Authorised		
At 31 March 2010, 2011, and 2012	**200,000,000**	**2,000**
Called up, allotted and fully paid		
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**
Exercise of options	977,561	10
At 31 March 2012	**104,817,404**	**1,048**

During the year the company issued 977,561 (2011: 1,087,244) ordinary shares of 1p each in respect of the exercise of share options by employees for which a net total of £396,314 (2011: £473,000) was received.

7. SHARE CAPITAL (CONTINUED)

As at 31 March 2012 the company held 4,750,079 shares (2011: 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 £47,501 (2011: £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 £2,351,289 (2011: £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 15-18, 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 2012 are fully paid.

8. STATEMENT OF MOVEMENT IN RESERVES

	Own shares JSOP £'000	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
Loss for the financial period	-	-	-	(1,006)
Dividends	-	-	-	(643)
Share based payments	-	-	-	104
Deferred tax on share based remuneration	-	-	-	(2)
Issue of own shares from JSOP	113	-	-	4
Issue of new shares for option redemption	-	-	385	-
	113	-	385	(1,543)
Opening balance	(2,464)	1,200	19,977	21,046
Closing balance	**(2,351)**	**1,200**	**20,362**	**19,503**

9. 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 £104,000 (2011: £290,000) by;

1) taking the charge in relation to employees of the holding company through the holding company statement of comprehensive income £83,000 (2011: £171,000),

2) recording an increase to its investment in subsidiaries for the amounts attributable to employees of subsidiaries and recording a corresponding entry to the profit and loss account reserve £21,000 (2011: £119,000).

10. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related Party Transactions" not to disclose transactions with wholly owned subsidiaries. Dividends paid to key management (only directors are deemed to fall into this category) of the Company have been disclosed in note 25 of the Group financial statements and the only other related party transactions in the year were salary payments to key management as disclosed in note 5 of the Group financial statements.

11. 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 2012 (2011: nil).

(b) Commitments

There are no commitments present as at 31 March 2012 (2011: nil).

12. ULITIMATE CONTROLLING PARTY

The Directors' have assessed that there is no ultimate controlling party.

Notice of the 2012 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2012 annual general meeting of the Company will be held at Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow G20 0SP on 30 August 2012 at 2.30 pm for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 9 (inclusive) will be proposed as ordinary resolutions and resolutions 10 to 11 (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 2012.

2 To approve the report of the board to the members on directors' remuneration for the year ended 31 March 2012.

3 To reappoint Crawford Beveridge (who was appointed by the board since the last annual general meeting) as a director of the Company.

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

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

6 To declare a final dividend for the year ended 31 March 2012 of 0.90p per share payable on 5 September 2012 to shareholders registered at the close of business on 17 August 2012.

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

8 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 £350,693.01; 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 2013 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.

9 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 £350,693.01 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 2013 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.

10 That subject to the passing of resolutions 8 and 9 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 8 and 9 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 £105,207.90;

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 2013, 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.

11 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 10,520,790 (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
Lister Pavilion, Kelvin Campus,
Company Secretary
West of Scotland Science Park,
22 June 2012
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 28 August 2012) 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 28 August 2012; 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 9 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 2012 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 15 to 18. This resolution is an advisory one and no entitlement to remuneration is conditional on the resolution being passed.

Resolution 3, 4 and 5 – Re-election of directors

Under article 24 of the Company's articles of association one third of the directors are required to retire by rotation at each annual general meeting. Pursuant to those articles, Mr Angus MacSween and Mr Richard Logan are required to retire by rotation at this annual general meeting and, being eligible, offer themselves for reappointment. In addition, the articles also stipulate that any director appointed by the Board during the year must offer themselves for reappointment at the next available annual general meeting. Mr Crawford Beveridge was appointed on 29 September 2011 and accordingly offers himself for reappointment. The Board is satisfied that the performance of Mr Crawford Beveridge, Mr Angus MacSween and Mr Richard Logan continues to be effective and demonstrates commitment to their roles with the Company including commitment of time for Board meetings and other duties required of them. Accordingly, resolutions 3, 4 and 5 propose the reappointment of Mr Crawford Beveridge, Mr Angus MacSween and Mr Richard Logan.

Brief biographical details of Mr Crawford Beveridge, Mr Angus MacSween and Mr Richard Logan are given below.

Crawford Beveridge 66, appointed 2011; Crawford Beveridge CBE has over 40 years experience in the technology industry, including 16 years at Sun Microsystems ("Sun"), most recently as

Executive Vice President and Chairman, EMEA, APAC and the Americas until retiring in January 2010. His business background also includes roles with Hewlett-Packard, Digital Equipment Corp., Analog Devices, non-executive director of Hitachi Global Storage Technologies, a subsidiary of Hitachi Ltd and Chief Executive of Scottish Enterprise. Current board roles include Chairman of the investment advisory board at Scottish Equity Partners and Non Executive Chairman of NASDAQ listed Autodesk.

Angus MacSween 55, 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.

Richard Logan 54, 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.

Resolution 6 – To declare a dividend 0.90p 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 0.90p per Ordinary Share, to be payable to shareholders registered at close of business on 17 August 2012.

Resolution 7 – 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 8 and 9 – 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 8 would give the directors the authority to allot shares up to an aggregate nominal amount of £350,693.01, 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 9 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 £350,693.01 (representing 35,069,301 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 2013.

Special Resolutions

Resolutions 10 and 11 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 10 - Disapplication of statutory pre-emption rights

Resolution 10 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 10 (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 10 asks shareholders to waive their pre-emption rights in respect of any such issue of shares.

Resolution 10 (at paragraph (c)) asks shareholders to waive their pre-emption rights, but only for new shares equal to 10 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 10 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 10 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 10 per cent. ceiling.

The power given by resolution 10 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 2013.

Resolution 11 – 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 11 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.

Experts

iomart's Chief Technology Officer Bill Strain was named IT Leader of the Year at the IT Pro Awards

Officers and Professional Advisers

Directors

Ian Ritchie CBE, FREng, FRSE, FBCS, CEng, BSc	Non executive chairman
Angus MacSween	Chief executive officer
Chris Batterham MA, FCA	Non executive director
Crawford Beveridge CBE	Non executive director
Sarah Haran	Director
Richard Logan BA, CA	Director

Secretary

Bruce Hall BAcc(Hons), CA

Registered office

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

Nominated adviser and broker

Peel Hunt LLP, Moor House, 120 London Wall, London EC2Y 5ET

Principal Bankers

Lloyds Banking Group, Bank of Scotland plc, 235 Sauchiehall Street
Glasgow G2 3EY

Solicitors

Pinsent Masons LLP, 141 Bothwell Street, Glasgow G2 7EQ

Independent auditors

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

Registrars

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

Company Registration Number

SC204560

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Printed by CCB, FSC certified colour printers.This report is printed on Elimental Chlorine Free (ECF) paper, from sustainable managed forests.

Visible

iomart continues to invest in innovative marketing and sales strategies to ensure a healthy prospect pipeline.

Image taken at iomart's cloud seminar at London Film Museum May 2012

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