



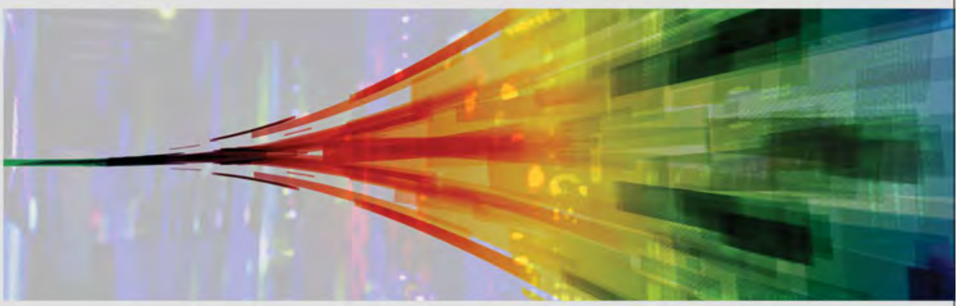

Annual Report and Accounts 2013

"Mobility is driving the fragmentation of how people now access the internet for both work and leisure and this borderless access model means that the only way to deliver services securely and efficiently is from central points through the cloud. iomart's datacentres and cloud computing expertise are at the heart of this cloud delivery service capability."

Angus MacSween,
CEO, iomart Group plc

Highlights

Financial

- Revenue growth of 29% to £43.1m (2012: £33.5m)
- Adjusted EBITDA[1] growth of 48% to £16.5m (2012: £11.2m)
- Adjusted profit before tax growth[2] of 56% to £10.7m (2012: £6.9m)
- Adjusted basic earnings per share[3] from operations increased by 21% to 8.46p (2012: 6.99p)
- Cashflow from operations increased by 54% to £14.8m (2012: £9.6m)
- Adjusted EBITDA[1] margins increased to 38% (2012: 33%)
- Proposed final dividend increased by 56% to 1.40p per share (2012: 0.90p per share)

Operational

- Acquisition of Melbourne Server Hosting Limited, Skymarket Limited & Internet Engineering Limited further accelerating growth
- Deployment of resilient UK fibre network across all data centres
- Commencement of fit out of additional 600 racks of datacentre space

Revenue Growth
29% to £43.1M

EBITDA Growth
48% to £16.5M

PBT Growth
56% to £10.7M

Dividend Growth
56% to 1.40p/share

[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, shared based payment charges, mark to mark adjustments in respect of interest rate swaps and acquisition costs.
[3] Throughout these financial statements adjusted earnings per share is earnings per share before amortisation charges on acquired intangible assets, shared based payment charges, mark to mark adjustments in respect of interest rate swaps and acquisition costs, including the taxation effect of these.
[4] At the start of the financial year some of the customers of Titan Internet Limited, which was acquired in October 2010, were transferred from the Hosting segment to the Easyspace segment. All of the appropriate comparative figures for the previous financial year for both segments have been restated to reflect that transfer. Details of the comparative figures before the effect of the transfer have been included in the Segmental Analysis note.

SHI International Corp., one of North America's top 20 IT solutions providers, has chosen iomartcloud's enterprise cloud platform to deliver reliable and flexible backup solutions for its customers in the United States.

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Government Procurement Service Supplier

iomart Group plc has been selected for G-Cloud iii Framework, the pre-approved group of Cloud ICT suppliers to the UK Government.

Chairman's Statement

I am very pleased to be able to report on another extremely strong performance by iomart over this financial year. We continue to make excellent progress as we execute on our combined strategy of growing through both organic and acquisitive means and our reputation as one of the UK's leading cloud computing companies continues to develop.

We have again enjoyed a substantial increase in profitability over the year, driven both by organic and acquisitive growth. During the year we welcomed Skymarket Limited, Melbourne Server Hosting Limited and Internet Engineering Limited into the Group. All are performing as expected and have been integrated into iomart's operations. As a result of these acquisitions we increased our datacentre estate with the addition of three datacentres taking the total to eight datacentres spread across the UK.

All of this progress is a result of a great deal of hard work by our staff and I thank them all on behalf of the Board and the shareholders for their efforts over the year. External acknowledgement of our performance is always gratefully received and we were delighted to be chosen as Scottish AIM/Mid cap plc of the year for the second year in succession at the recent 2013 Scotland PLC Awards.

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 1.40p per share on 3 September 2013 to shareholders on the register on 16 August 2013, representing an increase of 56% 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 2014 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 2013

Chief Executive Officer's Report

Introduction

Once again I'm delighted to report on a very good year for iomart. Revenues and profits have grown substantially over the year, both organically and through acquisition.

Firstly I thought it worth reflecting on the progress we have made over the last few years. Only three years ago, in the March 2010 financial year, we reported our first year of profit under our current strategy of building the UK's leading Cloud company. Our revenues in that year were £18.3m, our adjusted EBITDA £3.1m and our adjusted profit before tax £1.0m, excluding an exceptional gain that was recorded in that year. Over the subsequent three years we have grown our revenues by 135% to £43.1m, our adjusted EBITDA by 430% to £16.5m and our adjusted profit before tax by 937% to £10.7m.

Whilst we are clearly extremely pleased with the development of the Company over that period we believe we are still in the early stages of providing solutions to the cloud computing market and are confident that we can continue to grow our operations significantly over the coming years.

Market

The market we address is growing and evolving, with the fundamental shift towards products and services delivered over the internet continuing unabated. In our view, this is driven by three big trends:

One is the mobile world we now inhabit. Consumers and businesses alike are increasingly accessing, processing and interacting with data over the internet through mobile devices while on the move.

The second is the demand for faster and more reliable connectivity, making it easier to access and operate in the cloud.

The third is the inevitable growth in volume of data being created which needs to be stored and managed securely.

These three overarching trends are interlinked, driving more and more internet traffic and usage, which will only keep growing exponentially. For example, it would take over 6 million years to watch the amount of video that will cross global IP networks each month in 2016.

This reality is clearly evident in any local electronics shop where anyone can witness the staggering array of internet devices that have proliferated over the last year or so. This is driving the fragmentation of how people now access the internet for both work and leisure and this borderless access model means that the only way to deliver services securely and efficiently is from central points through the cloud. iomart's datacentres and cloud computing expertise are at the heart of this cloud delivery service capability.

The growth in data means that all businesses are confronted with having to make more investment in storage and computing power, and as a result, are looking to outsource their requirements in a flexible, scalable way with a predictable pricing model. We are able to invest in the infrastructure required to bring these economies of scale to bear for our customers.

iomart is at the forefront of this transformational shift and I expect the move to the cloud to continue for many years to come.

Acquisitions

We again augmented our organic growth through the acquisition of three operations during the year. In July 2012 we acquired Skymarket Limited ("Skymarket"), in August, Melbourne Server Hosting Limited ("Melbourne") and in October, Internet Engineering Limited which trades as HostingUK ("HostingUK"). All three have proven to be good additions to the Group and have now been integrated into the business. We will 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.

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

We provide a wide range of managed hosting services to both SMEs and corporate customers. All our solutions are delivered from our eight datacentres located throughout the UK. The more complex managed hosting solutions are delivered 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. Melbourne delivers complex managed hosting solutions and provides us with a strong presence in the North West of England with a particular emphasis on the creative sector.

We secured additional space at our Maidenhead datacentre earlier in the year and signed contracts to develop that space into a datacentre in March 2013. This fit out, which we expect to be completed towards the end of this calendar year, will increase our datacentre capacity by around 600 racks, thereby increasing our overall capacity by approximately one quarter.

A new fibre network was established during the year in partnership with Geo Networks which provides the Group with significantly increased connectivity capacity within our datacentre estate thus addressing the need for faster connectivity which the market is demanding.

Revenues in this segment have grown by 37% to £32.0m partly a result of the continued organic growth of iomart Hosting and in part due the acquisitions of EQSN and Melbourne. iomart Hosting has won almost 800 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 Skymarket and HostingUK. Both have now been 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 9% over the year to £11.1m, due to the contribution from the companies acquired in the last two years.

Current trading and outlook
Trading since the year end remains encouraging and in line with our expectations.

We continue to be well placed to deliver an ever wider range of cloud services and with our growing credibility and strength we expect to be able to penetrate further into the corporate environment. Our experience and skills are growing and we continue to improve and invest in our systems and people to support further significant growth.

I look forward once again with confidence to the year ahead.

Angus MacSween
Chief Executive Officer
28 May 2013

Finance Director's Report

Trading Results

Revenue

Revenues for the year grew by 29% to £43.1m (2012: £33.5m) 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 grew by 37% to £32.0m (2012: £23.3m[4]). This growth was helped by a full year contribution from EQSN which we acquired in November 2011 and Melbourne which we acquired in August 2012. The growth in the Hosting segment revenues excluding the impact of acquisitions was 20%.

Our Easyspace segment also delivered a good level of revenue growth in the period with revenues of £11.1m (2012: £10.2m [4]) showing a 9% increase. As anticipated this growth was entirely as a result of the acquisitions of Switch Media in April 2011 and Global Gold in the previous financial year and the contribution of HostingUK and Skymarket which were acquired in this financial year.

We continue to have good revenue visibility and high levels of recurring revenue. 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 £28.9m (2012: £22.4m) representing a gross margin of 67.2% (2012: 66.9%) with both operating segments contributing to this improvement in both absolute and relative terms. The improvement in our Hosting segment is a result of the operational leverage of the operation together with the impact of acquisitions. In our Easyspace segment it has been as a result of the impact of acquisitions.

Adjusted EBITDA

The adjusted EBITDA for the year of £16.5m (2012: £11.2m) has increased by 48%. Our percentage adjusted EBITDA margin has also significantly improved to 38.3% (2012: 33.4%). Once again both of our operating segments have contributed to the absolute level of growth and the improvement in the percentage margin.

The Hosting segment's adjusted EBITDA was £14.3m (2012: £9.7m [4]), an increase of 48.0%. In percentage terms the adjusted EBITDA margin has improved to 44.7% (2012: 41.4% [4]). 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, customer service and technical roles. The contribution from EQSN 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 Melbourne since August has added to the growth in adjusted EBITDA.

The Easyspace segment's adjusted EBITDA was £5.0m (2012: £4.0m [4]) an increase of 23.1%. In percentage terms the adjusted EBITDA margin has improved to 44.9% (2012: 39.7% [4]). The improvement in adjusted EBITDA is primarily due to the impact of the synergies achieved through the integration of the acquisitions made in both this and the previous financial years.

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 to £2.8m (2012: £2.5m) mainly due to increased payroll costs.

Adjusted profit before tax

Depreciation charges of £4.9m (2012: £3.7m) have increased largely as a result of charges for the equipment bought to provide services to the additional Hosting segment customers, the investment in the new fibre network, additional expenditure on our datacentres 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 (2012: £0.5m) has remained fairly static over the year.

Finance income in the period was £0.1m (2012: £0.1m) and finance costs of £0.5m (2012: £0.3m), excluding the mark to market adjustment in respect of an interest swap on one of the Company's loans, include interest and charges 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, excluding the charges for the amortisation of acquired intangible assets, and finance costs, excluding mark to market adjustments on the interest rate swap, and crediting the finance income from the adjusted EBITDA, the Group's adjusted profit before tax was £10.7m (2012: £6.9m) an increase of 56%.

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	2013 £'000	2012 £'000
Adjusted profit before tax	10,668	6,854
Less: Amortisation of acquired intangible assets	(1,302)	(604)
Less: Acquisition costs	(364)	(304)
Less: Share based payments	(258)	(104)
Less: Mark to market adjustment on interest rate swap	(46)	-
Profit before tax	**8,698**	**5,842**

The adjusting items are: share based payment charges in the period of £0.3m (2012: £0.1m) which have increased as a result of additional share options granted in the year; costs of £0.4m (2012: £0.3m) as a result of acquisition costs; charges for the amortisation of acquired intangible assets of £1.3m (2012: £0.6m) which have increased substantially as a result of the acquisitions made in the year and the full year effect of acquisitions made in previous years; and a mark to market adjustment in respect of an interest rate swap relating to a company loan of £0.05m (2012: £nil).

After deducting the charges for share based payments; charges for the amortisation of acquired intangible assets; acquisition costs and the mark to market adjustment in respect of the interest rate swap from the adjusted profit before tax; the reported profit before tax was £8.7m (2012: £5.8m) an increase of 49%.

Taxation

There is a tax charge for the year of £1.7m (2012: tax credit of £0.4m). This significant change in the impact of taxation on the income statement is a direct consequence of the favourable trading which the Group has enjoyed over the last few years. Prior to that the Group had built up considerable tax losses which as it began to trade profitably over the last few years were used up resulting in tax credits in prior periods in respect of deferred tax relating to these losses. At the end of the last financial year all of these tax losses had been fully recognised in this way. Consequently, the Group is now in a position where it requires to make provision for tax on its profits and the tax charge for the year is made up of a corporation tax charge of £1.5m (2012: £0.4m) with a deferred tax charge of £0.2m (2012: credit of £0.7m). At the year end, the Group has unused tax losses of £5.1m (2012: £9.0m) available for offset against future profits, which have been provided for in full within deferred tax.

Profit for the year from total operations

After deducting the tax charge for the year from the profit before tax the Group has recorded a profit for the year from total operations of £6.9m (2012: £6.2m).

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, mark to market adjustments in respect of the interest rate swap, acquisition costs and the tax effect of these items was 8.46p (2012: 6.99p) an increase of 21%.

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 6.91p (2012: 6.22p), an increase of 11% over the year.

Acquisitions

In July 2012 the Company acquired Skymarket for a maximum consideration of £1.4m, of which £1.2m was paid during the year, in August 2012 the Company acquired Melbourne for a total consideration of £6.7m and in October 2012 the Company acquired HostingUK for a maximum consideration of £1.4m, of which £1.2m was paid during the year. The remaining amounts due on the acquisitions of both Skymarket and HostingUK are both expected to be settled in full during the next financial year.

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 £14.8m (2012: £9.6m) 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 £1.2m (2012: £0.6m) the net cash flow from operating activities was £13.6m (2012: £9.0m).

Cash flow from investing activities

In line with our strategy of accelerating our growth by acquisition the Group continued to incur substantial sums on investing activities, spending a total of £13.6m (2012: £7.4m) in the period. Of this amount, £9.0m (2012: £4.5m) was incurred in relation to acquisition activities. As well as the investment in the year to acquire Skymarket, Melbourne and HostingUK the Group also paid the contingent consideration due on the acquisitions of EQSN and Global Gold in the previous financial year.

The Group continues to invest in property, plant and equipment through expenditure on its datacentres, on the equipment required to provide managed services to both its existing and new customers and in the establishment of a fibre network. During the year the Group spent £4.1m (2012: £2.4m) on such assets, net of related finance lease drawdown.

Expenditure was also incurred on development costs of £0.5m (2012: £0.5m) and the purchase of software of £nil (2012: £0.1m).

Cash flow from financing activities

The Group's financing activities generated a net cash inflow of £2.5m (2012: £0.5m) over the year. The issue of new shares, due to the exercise of share options by staff, generated £0.6m (2012: £0.5m) and the Group also drew down £9.0m of bank loans to help fund acquisitions and to repay bank borrowings of £4.0m. The Group spent £1.4m (2012: £1.2m) repaying finance leases, £0.9m (2012: £0.6m) on dividends, £0.6m (2012: £0.2m) on interest and repaid £0.2m (2012: £nil) of borrowings in acquired businesses.

Net cash flow

As a consequence, our overall cash generation during the year was £2.5m (2012: £2.1m) which resulted in cash and cash equivalent balances at the end of the year of £11.4m (2012: £8.9m). After recognising bank loans of £8.8m (2012: £4.0m) and finance lease obligations of £3.0m (2012: £2.5m) net debt balances at the end of the period stood at £0.4m (2012: net cash of £2.5m).

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 committed bank loan facility for acquisitions and capital expenditure of £20.0m, of which £9.0m has been drawn down and finance lease facilities which are available to fund capital expenditure, the Group has 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 29 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.

Network
The service we provide to customers is dependent on the continued operation of our fibre network which connects our datacentre estate. Should the network fail there would be an adverse impact on customers. The Group has implemented a resilient network throughout its datacentre estate with no single points of failure to ensure the likelihood of network failure is minimised.

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. Were 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.

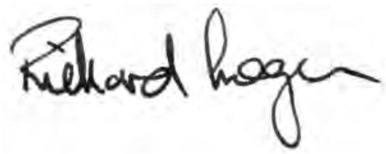
Growth management
The Group is experiencing high levels of growth through both organic and acquisitive means. As a consequence we need to continue to evolve as an organisation to meet the demands that such growth places on our business operations. Failure to evolve in the necessary way could lead to 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 2013

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 September 2012. 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.

During the year a formal evaluation was conducted by means of a detailed questionnaire which was completed by each Director. The results of this process were collated by the Chairman and discussed by the Board collectively. The evaluation included a review of the performance of individual Directors, including the Chairman, and the Board Committees. Based on this evaluation the Board has concluded that its performance in the past year has been satisfactory.

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.

Two 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, 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
Crawford Beveridge – Non-Executive Director	10	10	3	3	3	3
Richard Logan – Finance Director	10	9	-	-	-	-

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. 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 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 2013

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 2012 ("Code") issued by the Financial Reporting Council. However, in framing its remuneration policy the committee has given consideration to the Code and other than details of Directors' remuneration which is required by AIM Rule 19 the other 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 normally meets at least twice per 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 of 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 2013 Total	Year ended 31 March 2012 Total
	£	£	£	£	£	£
Angus MacSween	243,800	243,800	2,623	24,380	514,603	458,951
Chris Batterham	30,000	-	-	-	30,000	30,000
Crawford Beveridge	25,000	-	-	-	25,000	12,500
Sarah Haran	150,000	150,000	525	15,000	315,525	293,783
Richard Logan	160,000	120,000	2,058	16,000	298,058	271,885
Ian Ritchie	50,000	-	-	-	50,000	50,000
Fred Shedden (resigned 29 September 2011)	-	-	-	-	-	15,000
	658,800	**513,800**	**5,206**	**55,380**	**1,233,186**	**1,132,119**

Directors' interests in shares
The interests of the directors in the shares of the company at 31 March 2013, together with their interests at 1 April 2012 were as follows:

	Number of ordinary shares	
	31 March 2013	At 1 April 2012
Name of director		
Angus MacSween	20,436,916	19,336,304
Chris Batterham	90,621	90,621
Crawford Beveridge	30,000	12,000
Sarah Haran	2,345,565	1,024,944
Richard Logan	1,254,120	100,500
Ian Ritchie	151,400	151,400

On 14 December 2012 Crawford Beveridge bought 18,000 shares at a price of 195p per share. On 21 January Richard Logan sold 11,000 shares at a price of 225p per share.

The shareholdings of Angus MacSween, Sarah Haran and Richard Logan, as at 1 April 2012 exclude shares held under the Company's Joint Share Ownership Plan (JSOP), in which the directors were beneficial co-owners of shares at that time. On 27 March 2013 Angus MacSween, Sarah Haran and Richard Logan swapped their interests in the shares held within the JSOP arrangements with the iomart Group Employee Benefit Trust ("EBT"), the other co-owner of the shares, at a price of 231.50p which was the market price on the day, such that as a result of the swap all parties had wholly owned rather than co-owned shares. The shareholdings for Angus MacSween, Sarah Haran and Richard Logan as at 31 March 2013 include the shares that were acquired as a consequence of this swap arrangement. The details of the swap arrangement are as follows:

Directors' interests in shareholdings of Joint Share Ownership Plan (this information has been audited)

Name of director	Award date	Market price at date of award	Initial participation price	Participation price at time of swap	Number of co-owned shares before swap	Number of shares wholly owned by directors after swap	Number of shares wholly owned by EBT after swap
Angus MacSween	31/03/2010	49.5p	49.5p	53.94p	356,990	273,806	83,814
	31/03/2010	49.5p	78.5p	78.5p	322,612	213,217	109,395
	31/03/2010	49.5p	49.5p	53.94p	350,000	268,445	81,555
	31/03/2010	49.5p	49.5p	53.94p	450,000	345,144	104,856
					1,479,602	**1,100,612**	**378,990**
Sarah Haran	31/03/2010	49.5p	50.5p	55.03p	414,018	315,597	98,421
	31/03/2010	49.5p	78.5p	78.5p	177,867	117,554	60,313
	31/03/2010	49.5p	49.5p	53.94p	357,087	273,881	83,206
	31/03/2010	49.5p	49.5p	53.94p	350,000	268,445	81,555
	31/03/2010	49.5p	49.5p	53.94p	450,000	345,144	104,856
					1,748,972	**1,320,621**	**428,351**
Richard Logan	31/03/2010	49.5p	49.5p	53.94p	221,505	169,891	51,614
	31/03/2010	49.5p	50.5p	55.03p	500,000	381,140	118,860
	31/03/2010	49.5p	49.5p	53.94p	350,000	268,445	81,555
	31/03/2010	49.5p	49.5p	53.94p	450,000	345,144	104,856
					1,521,505	**1,164,620**	**356,885**
Total					**4,750,079**	**3,585,853**	**1,164,226**

As a consequence of the swap arrangement there are no longer any shares held within the JSOP scheme by the directors or any other employees. Further details of the effect of the swap arrangement are given in notes 24 and 25.

Directors' interests in share options (this information has been audited)
The interests of the directors at 31 March 2013 in options over the ordinary shares of the Company were as follows:

Name of director	At 1 April 2012	Exercised	Granted	Lapsed	At 31 March 2013	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
	-	-	113,334	-	113,334	1p	27/03/2013	31/05/2014	27/03/2023
	-	-	113,333	-	113,333	1p	27/03/2013	31/05/2015	27/03/2023
	-	-	113,333	-	113,333	1p	27/03/2013	31/05/2016	27/03/2023
	170,398	(127,388)	340,000	-	383,010				
Sarah Haran	72,133	(72,133)	-	-	-	78.5p	17/11/2004	17/11/2007	17/11/2014
	85,982	(27,867)	-	-	58,115	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
	-	-	80,000	-	80,000	1p	27/03/2013	31/05/2014	27/03/2023
	-	-	80,000	-	80,000	1p	27/03/2013	31/05/2015	27/03/2023
	-	-	80,000	-	80,000	1p	27/03/2013	31/05/2016	27/03/2023
	201,028	(100,000)	240,000	-	341,028				
Richard Logan	50,000	-	-	-	50,000	74.0p	24/08/2006	24/08/2009	24/08/2016
	120,500	(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
	-	-	80,000	-	80,000	1p	27/03/2013	31/05/2014	27/03/2023
	-	-	80,000	-	80,000	1p	27/03/2013	31/05/2015	27/03/2023
	-	-	80,000	-	80,000	1p	27/03/2013	31/05/2016	27/03/2023
	198,995	(120,500)	240,000	-	318,495				

On 27 March 2013 Angus MacSween was awarded 340,000, Sarah Haran was awarded 240,000 and Richard Logan was awarded 240,000 share options under the Company's Unapproved Share Option Scheme at an exercise price of 1p. In all three cases the options will vest evenly over the three financial years starting with the year to March 2014 subject to the achievement of certain performance criteria.

On 29 May 2012, Richard Logan exercised 120,500 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 140.0p resulting in a gain on exercise of £112,667.50. On 21 January 2013 Angus MacSween exercised 127,388 options under the Company's Enterprise Management Incentive Share Option Scheme at an exercise price of 78.5p. The market price on the date of exercise was 225.0p resulting in a gain on exercise of £186,623.42. On 21 January 2013 Sarah Haran exercised 72,133 and 27,867 options under the Company's Enterprise Management Incentive Share Option Scheme at an exercise price of 78.5p and 50.5p respectively. The market price on the date of exercise was 225.0p resulting in a gain on exercise of £154,302.75.

The market price of the company's shares at the end of the financial period was 231.5p and the range of prices during the period was between 121.0p and 242.5p.

By order of the board

Crawford Beveridge
Chairman, Remuneration committee
28 May 2013

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 2013.

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 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

	2013	**2012**
Revenue	£43.1m	£33.5m
Growth	29% increase	33% increase

Revenue from continuing operations grew by 29% over the year compared to a growth of 33% in the previous year. The Hosting segment grew revenues by 37% (2012: 34%) and the Easyspace segment by 9% (2012: 29%). The comparative figures have been restated to include the effect of the transfer of some of the customers of Titan Internet Limited from the Hosting segment to the Easyspace segment (note 3).

	2013	**2012**
Adjusted EBITDA	£16.5m	£11.2m
Adjusted EBITDA margin	38%	33%

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 Melbourne Server Hosting Limited which was acquired during the year and EQSN Limited which was acquired during the previous year. Easyspace has also contributed to the adjusted EBITDA margin improvement through increased operational efficiencies resulting from the acquisitions of Skymarket Limited and Internet Engineering Limited during the year and of Switch Media Limited and its subsidiaries and Global Gold Holdings Limited and its subsidiary acquired in the previous 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. On 21 June 2012 the Group agreed a new multi option revolving credit facility of £16m and a term loan facility of £4m with Lloyds Banking Group. This replaced the multi option revolving credit facility of £10m which had been in place previously of which £4m had already been drawn down. The facilities have been made available in order to finance business acquisitions, capital expenditure and for guarantees, bonds and indemnities.

In June 2012, the £4m draw down under the previous revolving credit facility was repaid and a new draw down of £4m under the term loan facility was made which is repayable in June 2015. Interest is charged on this loan for periods of three months at an annual rate determined by the sum of the term loan margin, LIBOR and the lender's mandatory costs. The term loan margin can fluctuate between 1.30% and 2.45% per annum depending on the relationship of net borrowings to reported profits. A one-off arrangement fee of 1% was payable when the term loan was drawn down. The effective interest rate for the term loan in the current year was 2.34% (2012: nil).

The £16m multi option revolving credit facility is available for a period of 3 years until June 2015 at which point any advances made under the revolving credit facility will become immediately repayable. In addition, each advance made under this facility is repayable at the end of each 6 month interest period. Interest is charged on this loan at an annual rate determined by the sum of the multi option revolving credit facility margin, LIBOR and the lender's mandatory costs. The multi option revolving credit facility margin can fluctuate between 2.30% and 3.45% per annum depending on the relationship of net borrowings to reported profits. A one-off arrangement fee of 1% of the revolving credit facility was paid when the facility was first drawn down and a non-utilisation fee of 40% of the multi option revolving credit facility margin is due on any undrawn portion of the facility. The effective interest rate for the multi option revolving credit facility loan in the current year was 6.69% (2012: nil).

In order to fund the acquisition of Melbourne Server Hosting Limited in August 2012, £5m was drawn down on the revolving credit facility. The £5m draw down for the revolving credit loan has been classified as current borrowings.

The Group has exposure to movements in interest rates on its borrowings. The Group has entered into an interest rate swap in respect of its term loan and as a consequence the interest rate on that loan is fixed at 1.02% until maturity. Amounts drawn under the multi option revolving credit facility are not covered by interest rate swap arrangements. The Group's borrowings at 31 March 2013 comprise finance leases totalling £3.0m (2012: £2.5m) and bank loans totalling £8.8m (2012: £4.0m). The interest rates on the finance leases are fixed for the term of the lease at between 5.7% and 24.1% and the average interest rate was 8.2% (2012: 6.8%).

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 parent company and the UK subsidiaries are in UK sterling and, with the exception of forward foreign exchange contracts and interest rate swaps, the Group does not use derivative instruments. Additional information on financial instruments is included in Note 29.

Dividend
The directors have not declared an interim dividend for the year ended 31 March 2013 (2012: nil). The directors recommend a final dividend for the year ended 31 March 2013 of 1.40p per share (2012: 0.90p per share).

Research and development
The Group develops cloud computing products including private cloud platforms, hybrid cloud platforms, virtual platforms, online backup and storage solutions and email related products.

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, Ian Ritchie and Chris Batterham will offer themselves for re-election at the forthcoming annual general meeting.

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

Substantial shareholdings
At 20 May 2013 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	20,436,916	19.54%
Legal & General Investment Management	9,798,014	9.37%
Majedie Asset Management	8,085,101	7.73%
Liontrust Asset Management	5,863,938	5.61%
Old Mutual Global Investors (UK)	5,434,274	5.20%
Henderson Global Investors	4,846,369	4.63%
Universities Superannuation Scheme	3,769,000	3.60%
British Steel Pension Scheme	3,768,103	3.60%
Bill Dobbie	3,454,500	3.30%
River & Mercantile Asset Management	3,259,877	3.12%

Transactions in own shares
On 27 March 2013 as a result of the JSOP swap arrangement, as described in the Report of the Board to the Members on Directors' Remuneration on pages 15 to 18, the iomart Group plc Employee Benefit Trust ("EBT") became the owner of 1,164,226 of the Company's ordinary shares of 1p each. The Company then purchased 1,023,453 ordinary shares of 1p each from the EBT which it placed into treasury. The EBT retains 140,773 ordinary shares of 1p each in the Company.

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 2013 were 44 days (2012: 30 days), and of the company were 27 days (2012: 15 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.

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

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

By order of the board

Bruce Hall
Company secretary
28 May 2013

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 to prepare 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.

"We're delighted that iomart, already a progressive and innovative EMC Velocity™ Service Provider partner, has decided to extend its leading-edge customer centric services with VMAX Cloud Edition. Other providers hide behind jargon, iomart is simply concerned with delivering services. Cloud is in their DNA"

Matthew Yeager,
Chief Innovation Officer,
EMEA, EMC

Ian Ritchie

62, appointed 2008; currently Chairman of Computer Application Services Ltd, Interactive Design Institute Ltd, Blipfoto Ltd, Cogbooks Ltd, Musemantik 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

56, 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

58, 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

67, 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

47, 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

55, 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.

We have audited the Group financial statements of iomart Group Plc for the year ended 31 March 2013 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, required to be disclosed in the financial statements in accordance with Rule 19 of the AIM Rules for Companies.

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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Opinion on other matters prescribed by the terms of our engagement

In our opinion the information, 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.

Other matter

We have reported separately on the parent company financial statements of iomart Group plc for the year ended 31 March 2013.

Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
28 May 2013

	Note	2013 £'000	2012 £'000
Revenue		43,059	33,476
Cost of sales	4	(14,131)	(11,094)
Gross profit		**28,928**	**22,382**
Administrative expenses	4	(19,768)	(16,358)
Operating profit		**9,160**	**6,024**
Analysed as:			
Earnings before interest, tax, depreciation, amortisation, acquisition costs and share based payments		**16,505**	**11,186**
Share based payments	26	(258)	(104)
Acquisition costs	6	(364)	(304)
Depreciation	4	(4,909)	(3,698)
Amortisation – acquired intangible assets	4	(1,302)	(604)
Amortisation – other intangible assets	4	(512)	(452)
Finance income	7	87	70
Finance costs	7	(549)	(252)
Profit before taxation		**8,698**	**5,842**
Taxation	9	(1,749)	356
Profit for the year from total operations		**6,949**	**6,198**
Other comprehensive income			
Currency translation differences		9	(10)
Other comprehensive income for the year		**9**	**(10)**
Total comprehensive income for the year		**6,958**	**6,188**
Attributable to equity holders of the parent		**6,958**	**6,188**

Basic and diluted earnings per share			
Total operations			
Basic earnings per share	12	6.91 p	6.22 p
Diluted earnings per share	12	6.63 p	6.03 p

The following notes form part of the primary financial statements.

Consolidated statement of financial position. As at 31March 2013

	Note	2013 £'000	2012 £'000
ASSETS			
Non-current assets			
Intangible assets – goodwill	13	31,781	27,544
Intangible assets – other	13	8,028	3,033
Deferred tax	10	-	993
Lease deposits	14	2,416	2,416
Property, plant and equipment	16	19,884	15,626
		62,109	**49,612**
Current assets			
Cash and cash equivalents	18	11,392	8,935
Trade and other receivables	17	5,761	4,071
		17,153	**13,006**
Total assets		**79,262**	**62,618**
LIABILITIES			
Non-current liabilities			
Non-current borrowings	21	(5,696)	(1,211)
Provisions for other liabilities and charges	22	(1,097)	-
Deferred tax	10	(468)	-
		(7,261)	**(1,211)**
Current liabilities			
Contingent consideration due on acquisitions	20	(358)	(246)
Trade and other payables	19	(12,491)	(10,592)
Current income tax liabilities		(812)	(255)
Current borrowings	21	(6,124)	(5,251)
		(19,785)	**(16,344)**
Total liabilities		**(27,046)**	**(17,555)**
Net assets		**52,216**	**45,063**
EQUITY			
Share capital	24	1,058	1,048
Own shares	25	(576)	(2,351)
Capital redemption reserve		1,200	1,200
Share premium		20,936	20,362
Foreign currency translation reserve		(1)	(10)
Retained earnings		29,599	24,814
Total equity		**52,216**	**45,063**

These financial statements were approved by the board of directors on 28 May 2013.
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.

	Note	2013 £'000	2012 £'000
Profit before taxation		**8,698**	**5,842**
Finance costs – net	7	462	182
Depreciation	4	4,909	3,698
Amortisation	4	1,814	1,056
Share based payments	26	258	104
Exchange movements		9	(10)
Movement in lease deposits		-	(400)
Movement in trade receivables		(810)	(405)
Movement in trade payables		(550)	(487)
Cash flow from operations		**14,790**	**9,580**
Taxation paid		(1,200)	(585)
Net cash flow from operating activities		**13,590**	**8,995**
Cash flow from investing activities			
Purchase of property, plant and equipment	16	(4,093)	(2,397)
Capitalisation of development costs	13	(526)	(474)
Purchase of intangible assets - software	13	(20)	(89)
Payment for acquisitions net of cash acquired		(8,796)	(3,873)
Contingent consideration paid on prior period acquisition		(246)	(600)
Finance income received		68	31
Net cash used in investing activities		**(13,613)**	**(7,402)**
Cash flow from financing activities			
Issue of shares		584	512
Draw down of bank loans	21	9,000	2,000
Repayment of finance leases		(1,427)	(1,164)
Repayment of bank loans	21	(4,000)	-
Repayment of borrowings on acquisition of business		(152)	-
Finance costs paid		(621)	(227)
Dividends paid	8	(904)	(643)
Net cash received from financing activities		**2,480**	**478**
Net increase in cash and cash equivalents		**2,457**	**2,071**
Cash and cash equivalents at the beginning of the year		8,935	6,864
Cash and cash equivalents at the end of the year	**18**	**11,392**	**8,935**

The following notes form part of the primary financial statements.

Consolidated statement of changes in equity. Year ended 31March 2013

Changes in equity	Note	Share capital £'000	Own shares JSOP £'000	Own shares EBT £'000	Own shares Treasury £'000	Foreign currency translation reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 April 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	26	-	-	-	-	-	-	-	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	24	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**
Profit in the year		-	-	-	-	-	-	-	6,949	6,949
Currency translation differences		-	-	-	-	9	-	-	-	9
Total comprehensive income		**-**	**-**	**-**	**-**	**9**	**-**	**-**	**6,949**	**6,958**
Dividends – final (paid)	8	-	-	-	-	-	-	-	(904)	(904)
Share based payments	26	-	-	-	-	-	-	-	258	258
Deferred tax on share based payments		-	-	-	-	-	-	-	257	257
Issue of own shares from JSOP	25	-	2,351	(70)	(506)	-	-	-	(1,775)	-
Issue of new shares for option redemption	24	10	-	-	-	-	-	574	-	584
Total transactions with owners		**10**	**2,351**	**(70)**	**(506)**	**-**	**-**	**574**	**(2,164)**	**195**
Balance at 31 March 2013		**1,058**	**-**	**(70)**	**(506)**	**(1)**	**1,200**	**20,936**	**29,599**	**52,216**

The following notes form part of the primary financial statements.

iomart's award winning new fibre network has provided a 1,860 kilometre fibre superhighway linking all the company's data centre locations, providing speeds estimated to be four times faster than the current industry average.

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 operates.

2. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU and issued by the International Accounting Standards Board (IASB) and in accordance with the Companies Act 2006. 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:

- Amendments to IAS 12 (December 2010, updated January 2011) Deferred tax: recovery of underlying assets (effective 1 January 2013).

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. The impact of this on the financial statements of the Group has not yet been assessed.

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 2014).
- IFRS 11 (May 2011) Joint Arrangements (effective 1 January 2014).
- IFRS 12 (May 2011, updated January 2012) Disclosures of Interests in Other Entities (effective 1 January 2014).
- IFRS 13 (May 2011) Fair Value Measurement (effective 1 January 2013).
- IAS 27 (May 2011) Separate Financial Statements (effective 1 January 2014).
- IAS 28 (May 2011) Investments in Associates and Joint Ventures (effective 1 January 2014).
- Amendments to IAS 1 (June 2011) Presentation of Items of Other Comprehensive Income (effective 1 July 2012).
- Amendments to IAS 19 (June 2011) Employee Benefits (effective 1 January 2013).
- Amendments to IFRS 7 (December 2011) Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2013).
- Amendments to IAS 32 (December 2011) – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014).

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 2013. 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 identifiable assets acquired and liabilities assumed 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 point of sale when the title to the domain name passes to the customer. Revenue from the provision of hosting services is recognised evenly over the period of the service and only after 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 only after the service has been established. Any unearned portion of revenue is included in payables as deferred revenue.

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

Intangible assets

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. Impairment reviews are carried out by the Board at least annually. Impairments to goodwill are charged to profit or loss 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 for each acquisition separately. Amortisation is charged over the useful life of the relationships in proportion to the estimated future cash flows, a period which is generally between five and eight years.

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

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

Development costs not meeting the criteria for capitalisation are expensed as incurred. The only development costs which are deemed to meet these criteria in the Group are in relation to developments by specific teams to develop products in the hosting asset management control system and internet security. Development costs capitalised are amortised on a straight-line basis over the estimated useful life of the asset. The estimated useful life is deemed to be three years for all developments capitalised. Amortisation charges are recognised in administration 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. Where a change is made to the fair value of

2. ACCOUNTING POLICIES (CONTINUED)

contingent consideration within the initial measurement period as a result of additional information obtained on facts and circumstances that existed at the acquisition date then this is accounted for as a change in goodwill. Where changes are made to the fair value of contingent consideration as a result of events that occurred after the acquisition date then the adjustment is accounted for as a charge to profit or loss.

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	Between 6% and 10% 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 profit or loss over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to profit or loss 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, these are considered separately as to whether there is a finance lease within the lease.

Lease deposits
Rental and re-instatement 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 are not interest earning they are discounted at an appropriate rate.

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

The Group has made alterations to properties which it occupies under lease arrangements. These lease arrangements contain provision for reinstatement of the property to its original condition at the Group's cost at the end of the lease should the landlord require that to happen. In respect of property leases which contain such a reinstatement provision the estimated cost of the reinstatement is provided in the financial statements. The discounted value of the expected cost of reinstatement is recorded as a leasehold improvement within property, plant and equipment and is then depreciated over the remaining term of the lease. A matching liability is recognised at the same time which is increased over the period of the lease by way of an interest charge such that the estimated cost of the reinstatement has been fully provided at the end of the lease period.

Income taxes

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

Current tax is the tax currently payable based on taxable profit for the year. Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Statement of Comprehensive Income, except where they relate to items that are recognised directly in other comprehensive income or equity (such as share based remuneration) in which case the related deferred tax is also recognised in other comprehensive income or equity accordingly.

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.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Provision against trade and other receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. An assessment for impairment is undertaken at least at each balance sheet date.

Financial derivatives such as forward foreign exchange contracts are carried at fair value through the 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 profit or loss. 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.

2. ACCOUNTING POLICIES (CONTINUED)

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. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. 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.
- "Own shares Treasury" represents the amount of the Company's own equity shares, plus attributable transaction costs, that is held by the Company as treasury shares.
- "Own shares EBT" 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.
- "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 sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

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.

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 acquisitions that have 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. These estimates are based on information provided by external advisors, the initial cost of the leasehold improvements and inflation rates and discount rates until the end of the lease. The reinstatement provision required at the end of the current year is shown in note 22.

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. The deferred tax asset in relation to tax losses is shown in note 10.

3. SEGMENTAL ANALYSIS

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

The Group currently has two operating and reportable segments.

- Easyspace – this segment provides a range of shared hosting and domain registration services to micro and SME companies. Skymarket and HostingUK 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. Melbourne was acquired during the year and has been reported as part of the Hosting segment since acquisition.

3. SEGMENTAL ANALYSIS (CONTINUED)

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.

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

At the start of this financial year a restructuring of the Titan Internet business resulted in the transfer of its trades to different legal entities within the Group and this also altered the makeup of our operating segments. The impact of which was to increase Easyspace revenue and profits and decrease Hosting revenue and profits by a similar amount. The comparative figures for the year to March 2012 have been restated to reflect this change. Prior to the restatement, external revenue for the 12 months to 31 March 2012 was £9,131,000 for Easyspace and £24,345,000 for Hosting; adjusted EBITDA for the 12 months to 31 March 2012 was £3,600,000 for Easyspace and £10,097,000 for Hosting; and operating profit for the 12 months to 31 March 2012 was £3,250,000 for Easyspace and £5,693,000 for Hosting.

Revenue by Operating Segment

	2013			**2012 (restated)**		
	External £'000	**Internal £'000**	**Total £'000**	**External £'000**	**Internal £'000**	**Total £'000**
Easyspace	11,081	-	11,081	10,171	-	10,171
Hosting	31,978	1,052	33,030	23,305	955	24,260
	43,059	**1,052**	**44,111**	**33,476**	**955**	**34,431**

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

	2013 £'000	**2012 £'000**
United Kingdom	39,190	29,726
Rest of the World	3,869	3,750
Revenue from operations	**43,059**	**33,476**

3. SEGMENTAL ANALYSIS (CONTINUED)

Profit by Operating Segment

	2013			2012 (restated)		
	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	4,973	(550)	4,423	4,040	(350)	3,690
Hosting	14,289	(6,173)	8,116	9,657	(4,404)	5,253
Group overheads	(2,757)	-	(2,757)	(2,511)	-	(2,511)
Acquisition costs	-	(364)	(364)	-	(304)	(304)
Share based payments	-	(258)	(258)	-	(104)	(104)
	16,505	(7,345)	9,160	11,186	(5,162)	6,024
Group interest and tax			(2,211)			174
Profit for the year	**16,505**	**(7,345)**	**6,949**	**11,186**	**(5,162)**	**6,198**

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:

	2013 £'000	2012 £'000
Staff costs excluding development costs capitalised and research and development costs written off the statement of comprehensive income	10,281	9,376
Depreciation of property plant and equipment		
- Owned assets	3,663	2,816
- Leased assets	1,246	882
Property, plant and equipment hire		
- Land and buildings	1,931	1,702
- Plant and machinery	208	182
Amortisation of intangible assets		
- Acquired intangible assets	1,302	604
- Other intangible assets	512	452
R&D expensed to statement of comprehensive income	125	68
Marketing and sales	613	493
Provision for doubtful debts	70	29
Premises and office	3,876	3,603

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

Auditors' remuneration	2013 £'000	2012 £'000
Audit services:		
- Fees payable for the audit of the consolidation and the parent company accounts	32	30
- Fees payable for audit of subsidiaries, pursuant to legislation	58	49
Non-audit services:		
- Assurance service fees	3	-
- Tax compliance fees	23	27
- Corporate finance and advisory transactions	8	17
	124	**123**

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2013 £'000	2012 £'000
Directors' emoluments		
Aggregate emoluments	1,178	1,038
Pension contributions to personal money purchase schemes	55	94
Share based payments	9	69
Emoluments payable to the highest paid director are as follows:		
Aggregate emoluments	490	409
Pension contributions to personal money purchase schemes	24	50

During the year the Company made personal pension contributions to the personal pension schemes of 3 directors (2012: 3). The aggregate amount of gains realised by directors on the exercise of share options during the year was £453,594 (2012: £21,830).

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.

	2013 No.	2012 No.
Average number of persons employed by the Group (including directors):		
Technical	108	104
Customer services	43	27
Sales and marketing	72	54
Administration	25	26
	248	**211**

	2013 £'000	2012 £'000
Staff costs of the Group during the year in respect of employees and directors were:		
Wages and salaries	9,568	8,849
Social security costs	970	869
Other pension costs	136	96
Share based payments	258	104
	10,932	**9,918**

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

	2013 £'000	2012 £'000
Professional fees	220	137
Non-recurring integration costs	144	167
Total acquisition costs	**364**	**304**

During the year costs of £220,000 (2012: £137,000) were incurred in respect of professional fees on various acquisitions. In addition to these professional fees, one-off costs of £144,000 (2012: £167,000) directly related to the integration of acquisitions into the Group were also incurred.

7. NET FINANCE COST

	2013 £'000	2012 £'000
Finance income:		
Bank interest receivable	75	58
Other interest income	12	12
Finance income for the year	**87**	**70**
Finance expenses:		
Bank loan	(288)	(123)
Finance leases	(194)	(123)
Mark to market interest adjustment	(46)	-
Other interest charges	(21)	(6)
Finance expense for the year	**(549)**	**(252)**
Net finance cost	**(462)**	**(182)**

Included in other interest income is £12,000 (2012: £12,000) in respect of leasehold deposits.

8. DIVIDENDS ON SHARES CLASSED AS EQUITY

	2013 Pence per share	2013 £'000	2012 Pence per share	2012 £'000
Paid during the year:				
Final dividend				
Equity dividends on ordinary shares	0.90p	904	0.65p	643

The directors have recommended a final dividend for the year ended 31 March 2013 of 1.40p per share (2012: 0.90p per share). Subject to shareholder approval this proposed final dividend would be payable on 3 September 2013 to shareholders on the register as of 16 August 2013.

9. TAXATION

	2013 £'000	2012 £'000
Tax charge for the year	(1,423)	(249)
Adjustment relating to prior year	(121)	(134)
Total current taxation charge	**(1,544)**	**(383)**
Origination and reversal of temporary differences	(311)	770
Effect of changes in tax rates	106	(31)
Total deferred taxation (charge)/credit	**(205)**	**739**
Total taxation (charge)/credit	**(1,749)**	**356**

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

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2013 £'000	2012 £'000
Profit before tax	8,698	5,842
Tax charge @ 24% (2012 – 26%)	2,088	1,519
Expenses disallowed for tax purposes	146	82
Non-taxable income	(18)	(304)
Adjustments in respect of prior years	121	134
Movement in deferred tax relating to changes in tax rates	(106)	31
Effect of research and development tax reliefs	(186)	(73)
Tax effect of share based remuneration	(299)	(219)
Effect of intangible asset tax reliefs	-	(7)
Movement in unprovided deferred tax related to fixed assets	7	128
Movement in unprovided deferred tax related to other timing differences	-	(26)
Movement in deferred tax relating to prior years	-	(180)
Increase in tax losses utilised and recognised	(4)	(1,441)
Taxation charge/(credit) for the year	**1,749**	**(356)**

The weighted average applicable tax rate for the year ended 31 March 2013 was 24% (2012: 26%). The total current tax charge of £1,423,000 (2012: £249,000) on operations represents 16.3% (2012: 4.3%) of the Group profit before tax of £8,698,000 (2012: £5,842,000). 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 24% to 23% from 1 April 2013. These changes were substantively enacted at the balance sheet date and, therefore, are included in these financial statements. Further reductions to the main rate have been proposed in the March 2013 Budget Statement to reduce the rate to 20% by 1 April 2015. 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 recognised deferred tax assets and liabilities as follows:

	2013		2012	
	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000	Deferred tax Recognised £'000	Deferred tax Unrecognised £'000
Tax losses carried forward	1,167	-	2,152	-
Share based remuneration	681	-	381	-
Capital allowances timing differences	282	-	67	-
Deferred tax on acquired assets with no capital allowances	(949)	-	(1,059)	-
Deferred tax on customer relationships	(1,649)	-	(548)	-
Deferred tax (liability)/asset	**(468)**	**-**	**993**	**-**

At the year end, the Group has unused tax losses of £5.1m (2012: £9.0m) available for offset against future profits. A deferred tax asset has been recognised in respect of £5.1m (2012: £9.0m) 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 2012	2,152	381	67	(1,059)	(548)	**993**
Acquired on acquisition of subsidiary	-	-	(34)	(52)	(1,427)	**(1,513)**
Credited to equity	-	257	-	-	-	**257**
(Charged)/credited to statement of comprehensive income	(1,070)	73	254	122	310	**(311)**
Effect of changes in tax rates	85	(30)	(5)	40	16	**106**
Balance at 31 March 2013	**1,167**	**681**	**282**	**(949)**	**(1,649)**	**(468)**

The deferred tax asset in relation to tax losses carried forward arises from unutilised tax losses in the Hosting operating segment. The deferred tax asset has been recognised in line with future projections over a three year period. The basis of these projections is:

- 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

Skymarket Limited
The Group acquired 100% of the issued share capital of Skymarket Limited ("Skymarket") on 20 July 2012.

Skymarket provides hosting and domain registration services principally to SMEs and the acquisition is in line with the Group's strategy to grow its hosting operations both organically and by acquisition.

During the current period the Group incurred £69,000 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 2013.

The following table summarises the consideration to acquire Skymarket 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	258
Trade and other receivables	86
Property, plant and equipment	18
Intangible assets	461
Trade and other payables	(313)
Current income tax liability	(18)
Deferred tax liability	(111)
Identifiable net liabilities	**381**
Goodwill	1,023
Total consideration	**1,404**
Satisfied by:	
Cash consideration – paid on acquisition	1,012
Contingent consideration - paid	160
Cash paid to date	1,172
Contingent consideration	232
Total consideration transferred	**1,404**

The acquisition of Skymarket includes contingent consideration arrangements that require additional consideration to be paid dependent on the level of net working capital and cash held by the company at the acquisition date, together with a maximum of £232,000 to be paid subject to the successful migration and integration of the company's operations into the Group. The level of net working capital and cash held by the company at the acquisition date has been established and agreed with the vendors and an additional payment of £160,000 was made to the vendors prior to the year end. The migration and integration of the company's operations is still in progress and it is expected that the maximum value of the balance of the contingent consideration will be paid subsequent to the year end and therefore £232,000 has been accrued in respect of this contingent consideration. This amount is expected to be paid before the end of the next financial year.

The goodwill arising on the acquisition of Skymarket is attributable to 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 £13,000. The gross amount due under contracts is £15,000 and value of trade receivables not expected to be collected is £2,000.

The fair value included in respect of the acquired customer relationships intangible asset is £461,000, which is the final value.

To estimate the fair value of the customer relationships 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.

11. ACQUISITIONS (CONTINUED)

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

A review of the intellectual property within Skymarket did not identify any intangible assets that required to be recognised in the fair value balance sheet.

Skymarket earned revenue of £543,000 and generated profits before tax of £258,000 in the period since acquisition.

Melbourne Server Hosting Limited
The Group acquired 100% of the issued share capital of Melbourne Server Hosting Limited ("Melbourne") on 15 August 2012.

Melbourne is a Manchester based provider of managed hosting solutions to over 600 customers. Melbourne operates its own datacentres in Manchester, providing the group with additional datacentre capacity. As well as the addition of spare capacity, this fills a geographical gap in the iomart datacentre estate and provides a sales platform to address the North of England market. The acquisition is in line with the Group's strategy to grow its hosting operations both organically and by acquisition.

During the current period the Group incurred £86,000 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 2013.

The following table summarises the consideration to acquire Melbourne 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	73
Trade and other receivables	502
Property, plant and equipment	1,281
Intangible assets	5,183
Trade and other payables	(716)
Current income tax liabilities	(129)
Current borrowings	(293)
Non-current borrowings	(91)
Deferred tax liability	(1,246)
Identifiable net assets	**4,564**
Goodwill	2,130
Total consideration	**6,694**
Satisfied by:	
Cash – paid on acquisition	6,500
Contingent consideration – paid	194
Total consideration transferred	**6,694**

The acquisition of Melbourne includes contingent consideration arrangements that required additional consideration of up to £500,000 to be paid by the Group to the vendors contingent on the successful hand over of the operations of Melbourne into the Group and on the amount of net debt and working capital of Melbourne at completion. The handover of the operations of Melbourne into the Group has been successfully completed and the levels of working capital and net debt at the date of acquisition have been quantified and agreed with the vendors at an amount of £306,000 payable by the vendors. Consequently the agreed amount of net contingent consideration of £194,000 has been paid.

11. ACQUISITIONS (CONTINUED)

The goodwill arising on the acquisition of Melbourne is attributable to the premium payable for a pre-existing, well positioned business and the specialised, industry specific knowledge of the management and staff, together with 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 £349,000. The gross amount due under contracts is £357,000 and value of trade receivables not expected to be collected is £8,000.

The fair value included in respect of the acquired customer relationships intangible asset is £5,097,000, which has been determined on a provisional basis pending a final review.

To estimate the fair value of the customer relationships 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 11.4% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 8 years.

The name Melbourne is not actively advertised or promoted, with the majority of Melbourne's business being generated from existing customers or by word of mouth. Melbourne has given a commitment to customers not to use for any purpose, other than the service agreement, any confidential information received from the customer. As a consequence there is no significant value in either the trade name/brand or customer lists acquired at the acquisition date and therefore no value has been attributed to either intangible asset.

A review of the intellectual property within Melbourne did not identify any intangible assets that required to be recognised in the fair value balance sheet.

Melbourne earned revenue of £2,602,000 and generated profits before tax of £517,000 in the period since acquisition.

Internet Engineering Limited

The Group acquired 100% of the issued share capital of Internet Engineering Limited, which trades as HostingUK on 1 October 2012. HostingUK is based in St Asaph in North Wales where it operates its own datacentre and provides hosting and domain registration services principally to SMEs. The acquisition is in line with the Group's strategy to grow its hosting operations both organically and by acquisition.

During the current period the Group incurred £65,000 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 2013.

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

11. ACQUISITIONS (CONTINUED)

Internet Engineering Limited (continued)

	£'000
Recognised amounts of net assets acquired and liabilities assumed:	
Cash and cash equivalents	(18)
Trade and other receivables	273
Property, plant and equipment	142
Intangible assets	620
Trade and other payables	(430)
Current income tax liabilities	(64)
Current borrowings	(41)
Non-current borrowings	(43)
Deferred tax liability	(155)
Identifiable net assets	**284**
Goodwill	1,084
Total consideration	**1,368**

Satisfied by:	
Cash consideration – paid on acquisition	1,224
Contingent consideration - paid	19
Cash paid to date	1,243
Contingent consideration	125
Total consideration transferred	**1,368**

The acquisition of HostingUK included contingent consideration arrangements that required additional consideration to be paid dependent on the level of net working capital and cash held by the company at the acquisition date, together with a maximum of £125,000 to be paid subject to the successful migration and integration of the company's operations into the Group. The level of net working capital and cash held by the company at the acquisition date has been established and agreed with the vendors and an additional payment of £19,000 was made to the vendors prior to the year end. The migration and integration of the company's operations is now substantially complete and it is expected that the maximum value of the balance of the contingent consideration will be paid subsequent to the year end and an amount of £125,000 has been accrued in respect of this contingent consideration.

The goodwill arising on the acquisition of HostingUK is attributable to the premium payable for a pre-existing, well positioned business and the specialised, industry specific knowledge of the management and staff, together with 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 £45,000 and other receivables of £224,000. The gross amounts due under contracts are £45,000 and £224,000 respectively and the full value of both the trade receivables and the other receivables has been collected prior to the year end.

The fair value included in respect of the acquired customer relationships intangible asset is £620,000, 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 12.3% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 5 years. A review of the intellectual property within HostingUK did not identify any intangible assets that required to be recognised in the fair value balance sheet.

11. ACQUISITIONS (CONTINUED)

The names Internet Engineering and HostingUK are not actively advertised or promoted, with the majority of the company's business being generated from existing customers or by word of mouth. HostingUK has given a commitment to customers not to use for any purpose, other than the service agreement, any confidential information received from the customer. As a consequence there is no significant value in either the trade name/brand or customer lists acquired at the acquisition date and therefore no value has been attributed to either intangible asset.

HostingUK earned revenue of £503,000 and generated profits before tax of £119,000 in the period since acquisition.

EQSN Limited and Global Gold Holdings Limited

The fair values of acquired assets and liabilities, including goodwill, previously disclosed as provisional for EQSN Limited and Global Gold Holdings Limited have been finalised in the current period with no changes to the fair values disclosed in the Annual Report and Accounts 2012.

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 2012. 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 2013 £'000
Revenue	45,241
Profit after tax for the year	6,829

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	**2013** **£'000**	**2012** **£'000**
Profit for the financial year and basic earnings attributed to ordinary shareholders	6,949	6,198
Weighted average number of ordinary shares:	**No** **000**	**No** **000**
Called up, allotted and fully paid at start of year	104,817	103,840
Own shares held in Treasury	(11)	-
Shares held by Employee Benefit Trust	(4,687)	(4,832)
New shares issued during year	468	623
Weighted average number of ordinary shares - basic	**100,587**	**99,631**
Dilutive impact of share options	1,018	780
Dilutive impact of JSOP shares	3,200	2,372
Weighted average number of ordinary shares - diluted	**104,805**	**102,783**
Basic earnings per share	6.91 p	6.22 p
Diluted earnings per share	6.63 p	6.03 p

Adjusted earnings per share	**2013** **£'000**	**2012** **£'000**
Profit for the financial year and basic earnings attributed to ordinary shareholders	6,949	6,198
Add: Amortisation of acquired intangible assets	1,302	604
Add: Acquisition costs	364	304
Add: Shared based payments	258	104
Add: Mark to market interest adjustment	46	-
Less: Tax impact of adjusted items	(409)	(247)
Adjusted profit for the financial year and adjusted earnings attributed to ordinary shareholders	**8,510**	**6,963**
Adjusted basic earnings per share	8.46 p	6.99 p
Adjusted diluted earnings per share	8.12 p	6.77 p

13. INTANGIBLE ASSETS

	Goodwill £'000	Development costs £'000	Customer relationships £'000	Software £'000	Beneficial contracts £'000	Domain names £'000	Total £'000
Cost							
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 1 April 2012	**27,544**	**1,585**	**3,467**	**580**	**-**	**31**	**33,207**
Additions	4,237	-	-	20	-	-	4,257
Acquired on acquisition of subsidiary	-	-	6,177	-	86	-	6,263
Development cost capitalised	-	526	-	-	-	-	526
At 31 March 2013	**31,781**	**2,111**	**9,644**	**600**	**86**	**31**	**44,253**
Accumulated amortisation:							
At 1 April 2011	-	(653)	(577)	(325)	-	(19)	(1,574)
Charge for the year	-	(335)	(604)	(107)	-	(10)	(1,056)
At 1 April 2012	**-**	**(988)**	**(1,181)**	**(432)**	**-**	**(29)**	**(2,630)**
Charge for the year	-	(408)	(1,297)	(102)	(5)	(2)	(1,814)
At 31 March 2013	**-**	**(1,396)**	**(2,478)**	**(534)**	**(5)**	**(31)**	**(4,444)**
Carrying amount:							
At 31 March 2013	**31,781**	**715**	**7,166**	**66**	**81**	**-**	**39,809**
At 31 March 2012	27,544	597	2,286	148	-	2	30,577

All amortisation and impairment charges are included in the depreciation, amortisation and impairment of non-financial assets classification, which is disclosed as administration expenses in the statement of comprehensive income.

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". No impairment charges (2012: 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 Skymarket and HostingUK acquisitions in the current year has been allocated to the Easyspace CGU and the goodwill acquired in the Melbourne Server Hosting acquisition has been allocated to the Hosting CGU, as these are the CGUs expected to benefit from the respective business combinations. As described in note 3, at the start of this financial year a restructuring of the Titan Internet business resulted in the transfer of its trades to different legal entities within the Group and this altered the makeup of the CGUs. The impact of which was to increase the carrying value of the Easyspace CGU by £420,000 and to reduce the carrying value of the Hosting CGU by the same amount.

The carrying value of goodwill by each CGU is as follows:

Cash Generating Units (CGU)	**2013 £'000**	**2012 £'000**
Easyspace	17,009	14,482
Hosting	14,772	13,062
	31,781	**27,544**

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. These projections are the result of detailed planning and assume similar levels of organic growth as the Group has experienced in the previous year unless there is a reason to alter historic growth rates and also full year contributions from acquisitions.

13. INTANGIBLE ASSETS (CONTINUED)

The growth rates and margins used to extrapolate estimated future performance in the 3 years after the initial 2 year period continue to be based on past growth performance adjusted downwards to take into account the additional risk due to the passage of time. 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%	11%
Average growth rate in years 3 to 5	2.25%	5.00%
Future perpetuity rate	2.25%	2.25%
Initial 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 DEPOSITS

The lease deposits of £2,416,000 (2012: £2,416,000) are made up of a rental deposit of £784,000 (2012: £784,000) and a reinstatement deposit of £1,632,000 (2012: £1,632,000). The rental and reinstatement deposits are 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 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	-
iomart Development Limited (formerly known as Westcoastcloud Limited)	Scotland	Dormant	100	-
iomart Cloud Inc	USA	Managed hosting services	100	-
Easyspace Limited	England	Webservices	100	-
Switch Media Limited	England	Webservices	100	-
Internet Engineering Limited	England	Webservices	100	-
Switch Media (Ireland) Limited	England	Webservices	-	100
Global Gold Network Limited	England	Webservices	-	100
Global Gold Holdings Limited	England	Non-trading	100	-
Skymarket Limited	England	Non-trading	100	-
Rapidswitch Limited	England	Non-trading	100	-
Titan Internet Limited	England	Non-trading	100	-
Melbourne Server Hosting Limited	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 improve-ments £'000	Datacentre Equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:							
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 subsidiary	-	26	-	359	8	-	393
At 1 April 2012	**837**	**3,624**	**9,732**	**11,447**	**826**	**38**	**26,504**
Additions in the year	-	1,505	1,134	4,991	84	12	7,726
Acquisition of subsidiaries	-	51	349	700	341	-	1,441
Disposals in the year	-	-	-	-	-	(7)	(7)
At 31 March 2013	**837**	**5,180**	**11,215**	**17,138**	**1,251**	**43**	**35,664**
Accumulated depreciation:							
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)
At 1 April 2012	**(59)**	**(821)**	**(2,831)**	**(6,594)**	**(554)**	**(19)**	**(10,878)**
Charge for the year	(20)	(276)	(844)	(3,624)	(125)	(20)	(4,909)
Disposals in the year	-	-	-	-	-	7	7
At 31 March 2013	**(79)**	**(1,097)**	**(3,675)**	**(10,218)**	**(679)**	**(32)**	**(15,780)**
Carrying amount:							
At 31 March 2013	**758**	**4,083**	**7,540**	**6,920**	**572**	**11**	**19,884**
At 31 March 2012	778	2,803	6,901	4,853	272	19	15,626

The net book value of computer equipment held under finance lease at 31 March 2013 was £1,554,000 (2012: £2,253,000) and the net book value of datacentre equipment held under finance lease at 31 March 2013 was £778,000 (2012: £nil). Of the total additions in the year of £7,726,000 (2012: £4,143,000), £1,621,000 (2012: £1,746,000) were funded by finance leases, £1,041,000 (2012: £nil) was included in trade creditors as unpaid invoices at the year end and £971,000 (2012: £nil) related to reinstatement provisions. Consequently, the consolidated statement of cash flows discloses a figure of £4,093,000 (2012: £2,397,000) as the cash outflow in respect of property, plant and equipment additions in the year.

17. TRADE AND OTHER RECEIVABLES

	2013 £'000	2012 £'000
Trade receivables	2,546	2,431
Less: Provision for impairment	(376)	(371)
Trade receivables (net)	**2,170**	**2,060**
Other receivables	421	301
Prepayments and accrued income	3,170	1,710
Trade and other receivables	**5,761**	**4,071**

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 2013, £2,045,000 (2012: £1,391,000) of net trade receivables were fully performing. Net trade receivables of £125,000 (2012: £669,000) 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.

	2013 £'000	2012 £'000
Up to 3 months	78	599
Over 3 months but less than 6 months	45	34
Over 6 months but less than 1 year	2	36
Total unimpaired trade receivables which are past due	**125**	**669**

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

	2013 £'000	2012 £'000
Balance at start of the year	371	177
(Decrease)/increase in provision for receivables impairment	(5)	153
Fair value of trade receivable provision acquired during the year	10	41
Balance at end of year	**376**	**371**

18. CASH AND CASH EQUIVALENTS

	2013 £'000	2012 £'000
Cash at bank and on hand	11,392	8,935
Cash and cash equivalents	**11,392**	**8,935**

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 0.85% (2012: 0.88%).

19. TRADE AND OTHER PAYABLES

	2013 £'000	2012 £'000
Trade payables	(3,580)	(1,751)
Other taxation and social security	(995)	(970)
Accruals	(3,539)	(3,316)
Deferred income	(4,372)	(4,536)
Other creditors	(5)	(19)
Trade and other payables	**(12,491)**	**(10,592)**

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

	2013 £'000	2012 £'000
Contingent consideration due on acquisitions:		
- Skymarket Limited	(232)	-
- Internet Engineering Limited	(126)	-
- EQSN Limited	-	(225)
- Global Gold Holdings Limited	-	(21)
Total contingent consideration due on acquisitions	**(358)**	**(246)**

21. BORROWINGS

	2013 £'000	2012 £'000
Current:		
Obligations under finance leases	(1,252)	(1,251)
Bank loans	(4,872)	(4,000)
Current borrowings	**(6,124)**	**(5,251)**
Non-current:		
Obligations under finance leases	(1,720)	(1,211)
Bank loans	(3,976)	-
Total non-current borrowings	**(5,696)**	**(1,211)**
Total borrowings	**(11,820)**	**(6,462)**

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:

	2013			2012		
	Capital £'000	Interest £'000	Total £'000	Capital £'000	Interest £'000	Total £'000
Due within one year	1,252	186	1,438	1,251	123	1,374
Due between two and five years	1,106	391	1,497	1,211	66	1,277
Due after more than five years	614	173	787	-	-	-
	2,972	**750**	**3,722**	**2,462**	**189**	**2,651**

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 8.2% (2012: 6.8%). Lease payments are made on a monthly and quarterly basis. The future lease obligation of £3,722,000 (2012: £2,651,000) has a present value of £2,913,000 (2012: £2,452,000).

On 21 June 2012 the Group agreed a new multi option revolving credit facility of £16m and a term loan facility of £4m with Lloyds Banking Group. This replaced the multi option revolving credit facility of £10m which had been in place previously of which £4m had already been drawn down. The £4m loan was repaid and a new borrowing of £4m under the term loan facility was drawn down and is repayable in June 2015. Interest is charged on this loan at an annual rate determined by the sum of the term loan margin, LIBOR and the lender's mandatory costs. The term loan margin can fluctuate between 1.30% and 2.45% per annum depending on the relationship of net borrowings to reported profits. An arrangement fee of 1% was payable when the term loan was drawn down. The effective interest rate for the term loan in the current year was 2.34% (2012: nil). The £4m draw down for the term loan has been classified as non-current borrowings.

21. BORROWINGS (CONTINUED)

The £16m multi option revolving credit facility may be used by the Group to finance capital expenditure, business acquisitions and for guarantees, bonds or indemnities. The facility is available until June 2015 at which point any advances made under the revolving credit facility will become immediately repayable. In addition, each draw down made under this facility can be for either 3 or 6 months and can either be repaid or continued at the end of the period. Interest is charged on this loan at an annual rate determined by the sum of the term loan margin, LIBOR and the lender's mandatory costs. The term loan margin can fluctuate between 2.30% and 3.45% per annum depending on the relationship of net borrowings to reported profits. A one-off arrangement fee of 1% of the revolving credit facility was paid when the facility was first drawn down and a non-utilisation fee of 40% of the multi option revolving credit facility margin is due on any undrawn portion of the facility. The effective interest rate for the multi option revolving credit loan in the current year was 6.69% (2012: nil).

In order to fund the acquisition of Melbourne Server Hosting Limited in August 2012, £5m was drawn down on the revolving credit facility. The £5m draw down for the revolving credit loan has been classified as current borrowings.

The future loan obligations of £9,657,000 (2012: £4,076,000) equate to a present value of £7,720,000 (2012: £4,076,000). The capital element of the bank loans is £8,848,000 (2012: £4,000,000) and this differs from the total drawn down of £9,000,000 (2012: £4,000,000) due to an effective interest rate adjustment.

The obligations under the multi option revolving credit facility and term loan facility are repayable as follows:

	2013			2012		
	Capital £'000	**Interest £'000**	**Total £'000**	**Capital £'000**	**Interest £'000**	**Total £'000**
Due within one year	4,872	344	5,216	4,000	76	4,076
Due between two and five years	3,976	465	4,441	-	-	-
	8,848	**809**	**9,657**	**4,000**	**76**	**4,076**

22. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

The Group has made provision for the reinstatement of certain leasehold properties and after initial measurement, any subsequent adjustments to reinstatement provisions will be recorded against the original amount included in leasehold improvements with a corresponding adjustment to future depreciation charges.

The directors consider the carrying values of the provisions to approximate to their fair values as they have been discounted.

The movement in the reinstatement provision during the year was as follows:

	2013 £'000	**2012 £'000**
Balance at start of the year	-	-
Initial recognition on acquisition of subsidiary	(105)	-
Increase in provision	(971)	-
Unwinding of discount	(21)	-
Balance at end of year	**(1,097)**	**-**

23. OPERATING LEASES

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

	2013		2012	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within one year	1,783	210	1,729	215
Between two to five years	6,610	894	5,703	873
After five years	5,144	1,504	4,885	1,726
	13,537	**2,608**	**12,317**	**2,814**

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 2013, the total future minimum sub-lease payments expected to be received under non-cancellable sub-leases were £781,000 (2012: £794,000).

24. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	£'000
Authorised		
At 31 March 2011, 2012, and 2013	**200,000,000**	**2,000**
Called up, allotted and fully paid		
At 31 March 2011	103,839,843	1,038
Exercise of options	977,561	10
At 31 March 2012	**104,817,404**	**1,048**
Exercise of options	942,472	10
At 31 March 2013	**105,759,876**	**1,058**

During the year the Company issued 942,472 (2012: 977,561) ordinary shares of 1p each in respect of the exercise of share options by employees for which a net total of £583,587 (2012: £396,314) was received.

At 31 March 2013 the Company held no shares (2012: 4,750,079 shares) as own shares in the JSOP scheme which were accounted for in the Own Shares JSOP reserve and had a nominal value of £nil (2012: £47,501) and a market value of £nil (2012: £6,745,112). This represents nil% (2012: 4.7%) of the issued share capital as at 31 March 2013 excluding own shares.

At 31 March 2013 the Company held 1,023,453 shares (2012: nil) as own shares in treasury which were accounted for in the Own Shares Treasury reserve and had a nominal value of £10,235 (2012: £nil) and a market value of £2,369,294 (2012: £nil). This represents 1.0% (2012: nil%) of the issued share capital as at 31 March 2013 excluding own shares.

At 31 March 2013 the Company held 140,773 shares (2012: nil) as own shares in the iomart Group plc Employee Benefit Trust ("EBT") which were accounted for in the Own Shares EBT reserve and had a nominal value of £1,408 (2012: £nil) and a market value of £325,889 (2012: £nil). This represents 0.1% (2012: nil%) of the issued share capital as at 31 March 2013 excluding own shares.

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 Company in treasury and the shares held by the EBT, are equally eligible to receive dividends and represent one vote at the shareholders' meetings of iomart Group plc. All shares issued at 31 March 2013 are fully paid.

25. OWN SHARES RESERVES

	Own shares JSOP £'000	Own shares EBT £'000	Own shares Treasury £'000	Own shares Total £'000
Opening balance at 31 March 2012	(2,351)	-	-	(2,351)
Issue of own shares from JSOP	2,351			2,351
Acquisition of own shares by EBT	-	(576)	-	(576)
Acquisition of own shares by Company	-	506	(506)	-
Closing balance at 31 March 20113	**-**	**(70)**	**(506)**	**(576)**

On 27 March 2013, 4,750,079 (carrying value: £2,351,289) ordinary shares were transferred from the Own Shares JSOP reserve following a JSOP swap arrangement between the Executive Directors and the EBT, as described in the Report of the Board to the Members on Directors' Remuneration on pages 15 to 18. The exercise price of the JSOP options varied between 53.94p and 78.5p and the market price on the exercise date was 231.5p. Of the 4,750,079 shares, 3,585,853 shares were transferred to the Executive Directors resulting in a charge to Retained Earnings of £1,774,997 representing the difference between the original issued price of the shares to the JSOP scheme of 49.5p per share and the share price on the exercise date of 231.5p. The remaining 1,164,226 shares (carrying value: £576,292) were transferred to the EBT. The EBT then sold 1,023,453 shares to the Company at 231.5p which were placed into treasury at the initial issue price of 49.5p resulting in a total carrying value of £506,609. The EBT retained 140,773 shares with a carrying value of £69,682 based on the original issue price to the shares to the JSOP scheme of 49.5p.

Consequently, as at 31 March 2013 the Company held 1,023,453 shares (2012: nil) in treasury with a carrying value of £506,609 (2012: £nil) which were accounted for in Own Shares treasury reserve; and 140,773 shares (2012: nil) in the EBT with a carrying value of £69,982 (2012: £nil) which were accounted for in the Own Shares EBT reserve; and no shares (2012: 4,750,079) in the Own Shares JSOP reserve with no carrying value (2012: £2,351,289).

26. 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
Unapproved schemes	Up to 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 942,472 ordinary shares (2012: 977,561) were exercised and the average market price at the exercise dates was 187.5p (2012: 103.8p). In addition, as described in the Report of the Board to the Members on Directors' Remuneration in pages 15 to 18, 4,750,079 ordinary shares (2012: nil) that previously were beneficially co-owned by certain directors and the EBT under the Company's Joint Share Ownership Plan were exercised as a result of a swap arrangement. Options over 1,570,000 ordinary shares (2012: nil) were granted under the unapproved share option scheme with an average exercise price of 70.3p (2012: nil).

As disclosed in note 5, a share based payment charge of £258,000 (2012: £104,000) has been recognised in the statement of comprehensive income during the year in relation to the above schemes. The fair value of the employee services received is valued indirectly by valuing the options granted using the Black-Scholes option pricing model, which worked on the following assumptions for the options granted in the year:

Grant date	**11-Jul-12**	**11-Jul-12**	**27-Mar-13**	**27-Mar-13**	**27-Mar-13**
Vesting date	**31-Mar-14**	**31-Mar-16**	**31-Mar-14**	**31-Mar-15**	**31-Mar-16**
Variables used					
Share price at grant date	146.1p	146.1p	232.5p	232.5p	232.5p
Volatility	61%	61%	75%	75%	75%
Dividend yield	1.0%	1.0%	0.75%	0.75%	0.75%
Number of employees holding options/units	2	12	3	3	3
Option/award life (years)	10	10	10	10	10
Expected life (years)	1.75	3.75	3.2	3.2	3.2
Risk free rate	0.80%	0.80%	1.03%	1.03%	1.03%
Expectations of meeting performance criteria	100%	100%	100%	100%	100%
Fair value	**44.6p**	**62.0p**	**227.0p**	**227.0p**	**227.0p**
Exercise price per share	146.1p	146.1p	1p	1p	1p

i) Expected volatility was determined at the date of grant from historic volatility, adjusted for events that were not considered to be reflective of the volatility of the share price going forward; and
ii) Risk free rate was calculated based on the average Bank of England zero coupon yields.

26. SHARE BASED PAYMENTS (CONTINUED)

The movement in options during the year in respect of the Company's ordinary shares of 1p each under the various share option schemes are as follows:

	2013		2012	
	Weighted average exercise price per share (p)	Number of share options	Weighted average exercise price per share (p)	Number of share options
Outstanding at start of year	59.03	2,065,151	50.27	3,592,712
Granted	70.32	1,570,000	-	-
Forfeited	-	-	37.00	(500,000)
Expired	-	-	11.75	(50,000)
Exercised	61.92	(942,472)	40.54	(977,561)
Outstanding at end of year	**64.60**	**2,692,679**	**59.03**	**2,065,151**
Exercisable at end of year	**52.67**	**996,013**	**54.85**	**1,545,153**

The movement in options during the year in respect of the Company's ordinary shares of 1p each, under the JSOP scheme are as follows:

	2013		2012	
	Weighted average exercise price per share (p)	Number of share options	Weighted average exercise price per share (p)	Number of share options
Outstanding at start of year	55.45	4,750,079	53.95	4,977,184
Exercised	-	-	51.47	(227,105)
Exercised (swap arrangement)	56.74	(4,750,079)	-	-
Outstanding at end of year	**-**	**-**	**55.45**	**4,750,079**
Exercisable at end of year	**-**	**-**	**55.45**	**4,750,079**

Summary of share options that were outstanding at the year end:

		Share options - outstanding			Share options – exercisable		
	Range of exercise prices per share (p)	Outstanding shares	Weighted average exercise price per share (p)	Weighted average remaining contractual life (years)	Outstanding shares	Weighted average exercise price per share (p)	Weighted average remaining contractual life (years)
Enterprise management incentive scheme	26.5 - 87.5	808,736	55.71	6.2	748,737	53.16	6.1
Unapproved schemes	1.0 – 146.1	1,883,943	68.41	9.1	247,276	51.17	5.8
As at end of year		**2,692,679**	**64.60**	**8.2**	**996,013**	**52.67**	**6.0**

27. RELATED PARTY TRANSACTIONS

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

	2013 £'000	2012 £'000
Angus MacSween	174	126
Chris Batterham	1	1
Sarah Haran	9	7
Richard Logan	1	1
Ian Ritchie	1	1
Fred Shedden (resigned 29 September 2011)	-	5
Total dividends paid to directors	**186**	**141**

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 to 18.

28. CONTINGENCIES AND COMMITMENTS

(a) Contingencies
There were no contingent assets or liabilities as at 31 March 2013 (2012: nil).

(b) Commitments
Capital expenditure on property, plant and equipment committed by the Group at 31 March 2013 was £5,189,000 (2012: £74,000) which relates mainly to the first phase of the extension to the Maidenhead datacentre.

29. 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:

29. RISK MANAGEMENT (CONTINUED)

	Loans and receivables £'000	At fair value through profit or loss £'000	Total £'000
2013			
Non-current:			
Lease deposit	2,416	-	2,416
Current:			
Trade receivables	2,170	-	2,170
Cash and cash equivalents	11,392	-	11,392
Other receivables	421	-	421
Total for category	**16,399**	**-**	**16,399**
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**

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
2013				
Non-current:				
Finance leasing capital obligations	-	-	(1,720)	(1,720)
Bank loan	-	(3,976)	-	(3,976)
Current:				
Trade payables	-	(3,580)	-	(3,580)
Accruals	-	(3,486)	-	(3,486)
Bank loan	-	(4,872)	-	(4,872)
Contingent consideration due on acquisitions	(358)	-	-	(358)
Finance leasing capital obligations	-	-	(1,252)	(1,252)
Interest rate swap contract	(46)	-	-	(46)
Forward foreign exchange contracts	(7)	-	-	(7)
Total for category	**(411)**	**(15,914)**	**(2,972)**	**(19,297)**
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	**(267)**	**(9,086)**	**(2,462)**	**(11,815)**

The interest rate swap and 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 prices are based on inputs other than quoted prices that are observable for the asset, either directly or indirectly. The contingent consideration due on acquisitions noted in the above table are considered to be Level 3 financial liabilities as there are no observable inputs for valuation.

29. 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 and term loan facilities is based on LIBOR plus a margin. An interest rate swap has been put in place in respect of the term loan facility. This has the effect of fixing the LIBOR interest rate for the full period of the term at 1.02%. The fair value of the interest rate swap contract is estimated to be a loss of £46,000 (2012: £nil) which has been recognised in the statement of comprehensive income for the year.

Currency risk
During the year the Group made payments totalling US$2.1m (2012: US$1.9m) and EUR€0.2m (2012: EUR€ nil) 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 $600,000 (2012: $1,800,000) for a total of £402,000 (2012: £1,148,000), at an average exchange rate of US$:GBP£ of 1.49 (2012: 1.57) over the period to March 2013. The fair value of these currency contracts is estimated to be a loss of £7,000 (2012: loss £21,000) which 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 debt, due to its acquisition activities. 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 Group provides standard credit terms (normally 30 days) to some of its customers which has resulted in trade receivables of £2,170,000 (2012: £2,060,000) which are stated net of applicable provisions and which represent the total amount exposed to credit risk. The lease deposits of £2,416,000 (2012: £2,416,000) are held in escrow accounts with the landlord's main UK bankers and the landlord is a major UK plc. The Group's cash at bank £11,392,000 (2012: £8,935,000) is held within the UK clearing banks.

In respect of trade receivables, lease deposits and cash in bank the directors consider the risk of exposure to credit is minimal due to the reasons given above.

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

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 2013 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 2013;
- 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.

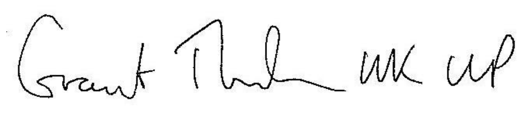
Matters on which we are required to report by exception

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 2013.

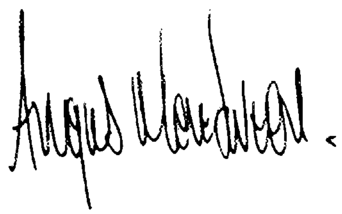


Andrew Howie
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
28 May 2013

BALANCE SHEET

	Note	2013 £'000	2012 £'000
FIXED ASSETS			
Investments	3	45,639	35,782
		45,639	**35,782**
CURRENT ASSETS			
Debtors	4	15,649	13,820
Cash at bank and in hand		10,202	8,083
		25,851	**21,903**
CREDITORS: amounts falling due within one year	6	(27,175)	(17,923)
NET CURRENT (LIABILITIES)/ASSETS		**(1,324)**	**3,980**
TOTAL ASSETS LESS CURRENT ASSETS		**44,315**	**39,762**
CREDITORS: amounts falling after more than one year	7	(4,000)	-
NET ASSETS		**40,315**	**39,762**
CAPITAL AND RESERVES			
Called up share capital	8	1,058	1,048
Own shares	9	(576)	(2,351)
Capital redemption reserve	9	1,200	1,200
Share premium account	9	20,936	20,362
Profit and loss account	9	17,697	19,503
TOTAL EQUITY SHAREHOLDERS' FUNDS		**40,315**	**39,762**

These financial statements were approved by the board of directors on 28 May 2013.
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.

jubilee time capsule

Melbourne Server Hosting was selected to host The Jubilee Time Capsule – a digital Diamond Jubilee gift commissioned by the Royal Commonwealth Society to mark The Queen's 60 years on the throne.

MELBOURNE
Server Hosting™

@Capsool/Joe Gardner. HM The Queen receiving the Jubilee Time Capsule on 14 November 2012 at the Royal Commonwealth Society, London

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. PROFIT/(LOSS) OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial period after taxation was £358,000 (2012: loss £1,006,000).

3. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2012	37,504
Additions	9,685
Share based payment	205
Cost at 31 March 2013	**47,394**
Impairment	
At 1 April 2012	(1,722)
Charge for the year	(33)
Impairment at 31 March 2013	**(1,755)**
Net book value of Investments at 31 March 2013	**45,639**
Net book value of Investments at 31 March 2012	35,782

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 %	Ordinary share capital: 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	-
iomart Development Limited (formerly known as Westcoastcloud Limited)	Scotland	Dormant	100	-
iomart Cloud Inc	USA	Managed hosting services	100	-
Easyspace Limited	England	Webservices	100	-
Switch Media Limited	England	Webservices	100	-
Internet Engineering Limited	England	Webservices	100	-
Switch Media (Ireland) Limited	England	Webservices	-	100
Global Gold Network Limited	England	Webservices	-	100
Global Gold Holdings Limited	England	Non-trading	100	-
Skymarket Limited	England	Non-trading	100	-
Rapidswitch Limited	England	Non-trading	100	-
Titan Internet Limited	England	Non-trading	100	-
Melbourne Server Hosting Limited	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

	2013 £'000	2012 £'000
Prepayments and accrued income	347	163
Other debtors	6	5
Other taxation and social security	314	172
Deferred taxation (note 5)	682	381
Amounts owed by subsidiary undertakings	14,300	13,099
	15,649	**13,820**

5. DEFERRED TAXATION

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

	2013		2012	
	Recognised £'000	**Unrecognised £'000**	**Recognised £'000**	**Unrecognised £'000**
Share based remuneration	682	-	381	-

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

	2013 £'000	**2012 £'000**
Balance brought forward	381	354
Profit and loss account movement arising during the year	44	29
Profit and loss account reserve movement during the year	257	(2)
Balance carried forward	**682**	**381**

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

	2013 £'000	**2012 £'000**
Trade creditors	172	87
Other taxation and social security	49	43
Accruals and deferred income	654	653
Contingent consideration	358	246
Bank loan	5,000	4,000
Amounts owed to subsidiary undertakings	20,942	12,894
	27,175	**17,923**

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

	2013 £'000	**2012 £'000**
Bank loan	4,000	-
	4,000	**-**

8. SHARE CAPITAL

	Ordinary shares of 1p each	
	Number of shares	**£'000**
Authorised		
At 31 March 2011, 2012, and 2013	**200,000,000**	**2,000**
Called up, allotted and fully paid		
At 31 March 2011	103,839,843	1,038
Exercise of options	977,561	10
At 31 March 2012	**104,817,404**	**1,048**
Exercise of options	942,472	10
At 31 March 2013	**105,759,876**	**1,058**

During the year the Company issued 942,472 (2012: 977,561) ordinary shares of 1p each in respect of the exercise of share options by employees for which a net total of £583,587 (2012: £396,314) was received.

At 31 March 2013 the Company held no shares (2012: 4,750,079 shares) as own shares in the JSOP scheme which were accounted for in the Own Shares JSOP reserve and had a nominal value of £nil (2012: £47,501) and a market value of £nil (2012: £6,745,112). This represents nil% (2012: 4.7%) of the issued share capital as at 31 March 2013 excluding own shares.

At 31 March 2013 the Company held 1,023,453 shares (2012: nil) as own shares in treasury which were accounted for in the Own Shares Treasury reserve and had a nominal value of £10,235 (2012: £nil) and a market value of £2,369,294 (2012: £nil). This represents 1.0% (2012: nil%) of the issued share capital as at 31 March 2013 excluding own shares.

At 31 March 2013 the Company held 140,773 shares (2012: nil) as own shares in the EBT which were accounted for in the Own Shares EBT reserve and had a nominal value of £1,408 (2012: £nil) and a market value of £325,889 (2012: £nil). This represents 0.1% (2012: nil%) of the issued share capital as at 31 March 2013 excluding own shares.

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 Company in treasury and the shares held by the EBT, are equally eligible to receive dividends and represent one vote at the shareholders' meetings of iomart Group plc. All shares issued at 31 March 2013 are fully paid.

9. STATEMENT OF MOVEMENT IN RESERVES

	Own shares JSOP £'000	Own shares EBT £'000	Own shares Treasury £'000	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
Profit for the financial period	-	-	-	-	-	358
Dividends	-	-	-	-	-	(904)
Share based payments	-	-	-	-	-	258
Deferred tax on share based remuneration	-	-	-	-	-	257
Issue of own shares from JSOP	2,351	(70)	(506)	-	-	(1,775)
Issue of new shares for option redemption	-	-	-	-	574	-
	2,351	(70)	(506)	-	574	(1,806)
Opening balance	(2,351)	-	-	1,200	20,362	19,503
Closing balance	**-**	**(70)**	**(506)**	**1,200**	**20,936**	**17,697**

On 27 March 2013, 4,750,079 (carrying value: £2,351,289) ordinary shares were transferred from the Own Shares JSOP reserve following a JSOP swap arrangement between the Executive Directors and the EBT, as described in the Report of the Board to the Members on Directors' Remuneration on pages 15 to 18. The exercise price of the JSOP options varied between 53.94p and 78.5p and the market price on the exercise date was 231.5p. Of the 4,750,079 shares, 3,585,853 shares were transferred to the Executive Directors resulting in a charge to the Profit and Loss Account Reserve of £1,774,997 representing the difference between the original issued price of the shares to the JSOP scheme of 49.5p per share and the share price on the exercise date of 231.5p. The remaining 1,164,226 shares (carrying value: £576,292) were transferred to the EBT. The EBT then sold 1,023,453 shares to the Company at 231.5p which were placed into treasury at the initial issue price of 49.5p resulting in a total carrying value of £506,609. The EBT retained 140,773 shares with a carrying value of £69,682 based on the original issue price to the shares to the JSOP scheme of 49.5p.

Consequently, as at 31 March 2013 the Company held 1,023,453 shares (2012: nil) in treasury with a carrying value of £506,609 (2012: £nil) which were accounted for in Own Shares treasury reserve; and 140,773 shares (2012: nil) in the EBT with a carrying value of £69,982 (2012: £nil) which were accounted for in the Own Shares EBT reserve; and no shares (2012: 4,750,079) in the Own Shares JSOP reserve with no carrying value (2012: £2,351,289).

10. SHARE BASED PAYMENTS

For details of share based payment awards and fair values see note 26 to the Group financial statements. The Company accounts recognise the charge for share based payments for the year of £258,000 (2012: £104,000) by;

1) taking the charge in relation to employees of the parent company through the parent company statement of comprehensive income £53,000 (2012: £83,000),

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 £205,000 (2012: £21,000).

11. 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 27 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.

12. CONTINGENCIES AND COMMITMENTS

(a) Contingencies
There were no contingent assets or liabilities as at 31 March 2013 (2012: nil).

(b) Commitments
There are no commitments present as at 31 March 2013 (2012: nil).

13. ULITIMATE CONTROLLING PARTY

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

NOTICE IS HEREBY GIVEN that the 2013 annual general meeting of the Company will be held at Lister Pavilion, Kelvin Campus, West of Scotland Science Park, Glasgow G20 0SP on 28 August 2013 at 2.30 pm for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and resolutions 9 to 10 (inclusive) will be proposed as special resolutions:-

1 To receive and adopt the financial statements of the Company and the directors' and auditors' reports thereon for the year ended 31 March 2013.

2 To approve the report of the board to the members on directors' remuneration for the year ended 31 March 2013.

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

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

5 To declare a final dividend for the year ended 31 March 2013 of 1.40p per share payable on 3 September 2013 to shareholders registered at the close of business on 16 August 2013.

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

7 That, in accordance with section 551 of the Companies Act 2006 (the "Act"), the directors of the Company (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 £349,121.41; 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 2014 save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be 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 551 of the Act.

8 That, for the purposes of section 551 of the Act, the Directors are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of ordinary shares in the capital of the Company (the "Ordinary Shareholders") where the equity securities respectively attributable to the Ordinary Shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them up to a maximum nominal amount of £349,121.41 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 2014 save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

9 That subject to the passing of resolutions 7 and 8 and in accordance with section 570 of the Act and in place of all existing powers, the Directors are generally empowered to allot equity securities of the Company (as defined in section 560 of the Act) for cash pursuant to the authority conferred by resolutions 7 and 8 as if section 561 of the Act did not apply to such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an issue in favour of holders of ordinary shares of 1 penny each in the capital of the Company (the "Ordinary Shares") where the equity securities are offered to such holders in proportion (as nearly as may be) to the respective number of Ordinary Shares held, or deemed to be held, by that shareholder but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory;

(b) the allotment of equity securities pursuant to any authority conferred upon the Directors in accordance with and pursuant to article 41 of the articles of association of the Company; and

(c) the allotment (otherwise than pursuant to (a) and (b) above) of equity securities up to an aggregate nominal amount of £104,736.42, 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 2014, save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the power conferred by this resolution has expired.

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

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 10,473,642, representing 10% of the Company's issued ordinary share capital (excluding for these purposes the 1,023,453 shares held by the Company in treasury) 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,
26 June 2013
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 Friday 23 August 2013) 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 26 August 2013; or

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

Documents on Display

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

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

- during the meeting.

Communication

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

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

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

Ordinary Resolutions

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

Resolution 1 – To receive and adopt the financial statements for the year ended 31 March 2013 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 and 4 – Re-election of directors

Under article 24 of the Company's articles of association one third of the directors are required to retire by rotation at each annual general meeting. Pursuant to those articles, Mr Ian Ritchie and Mr Chris Batterham are required to retire by rotation at this annual general meeting and, being eligible, offer themselves for reappointment. The Board is satisfied that the performance of Mr Ian Ritchie and Mr Chris Batterham continues to be effective and demonstrates commitment to their roles with the Company including commitment of time for Board meetings and other duties required of them. Accordingly, resolutions 3 and 4 propose the reappointment of Mr Ian Ritchie and Mr Chris Batterham.

Brief biographical details of Mr Ian Ritchie and Mr Chris Batterham are given below.

Ian Ritchie, 62, appointed 2008: currently Chairman of Computer Application Services Ltd, Interactive Design Institute Ltd, Blipfoto Ltd, Cogbooks Ltd, Musemantik 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).

Chris Batterham, 58, 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.

Resolution 5 – To declare a dividend 1.40p 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 1.40p per Ordinary Share, to be payable to shareholders registered at close of business on 16 August 2013.

Resolution 6 – Re-appointment and remuneration of auditors

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

Resolutions 7 and 8 – Grant of authority to the directors to allot shares

Section 551 of the Companies Act 2006 (the "Act") requires that the authority of the directors to allot shares shall be subject to the approval of the shareholders in general meeting. These resolutions, if passed, would give the directors general authority to allot shares in the capital of the Company.

Resolution 7 would give the directors the authority to allot shares up to an aggregate nominal amount of £349,121.41, being approximately one-third of the issued ordinary share capital of the Company (excluding for these purposes the 1,023,453 shares held by the Company in treasury) as at the date of the notice of this meeting.

In line with recent guidance issued by the Association of British Insurers, resolution 8 would give directors the authority to allot shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £349,121.41 (representing 34,912,141 Ordinary Shares). This amount represents approximately a further one third of the issued ordinary share capital of the Company (excluding for these purposes the 1,023,453 shares held by the Company in treasury) 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 2014.

Special Resolutions

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

Resolution 9 - Disapplication of statutory pre-emption rights

Resolution 9 gives authority to the directors of the Company to disapply the provisions of section 561 of the Act. Under that section, if the directors wish to allot any of the unissued shares for cash the directors must in the first instance offer those shares to existing shareholders in proportion to the number of shares held by such shareholders. An offer of this type is called a "rights issue" and the entitlement to be offered a new share is known as a "pre-emption right".

There may be circumstances, however, where it is in the interests of the Company for the directors to allot some of the new shares for cash other than by way of a rights issue. This cannot be done under the Act unless the shareholders first waive their pre-emption rights. There are legal, regulatory and practical reasons why it may not always be possible to issue new shares under a rights issue to some shareholders, particularly those resident overseas. To cater for this, resolution 9 (at paragraph (a)), in authorising the directors to allot new shares by way of a rights issue, also permits the directors to make appropriate exclusions or arrangements to deal with such difficulties.

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

Resolution 9 (at paragraph (c)) asks shareholders to waive their pre-emption rights, but only for new shares equal to 10 per cent. of the Company's issued ordinary share capital (excluding for these purposes the 1,023,453 shares held by the Company in treasury) 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 9 will, unless sooner revoked or renewed by the Company in general meeting, last until the conclusion of the next annual general meeting of the Company to be held in 2014.

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

This resolution grants authority to the Company to make purchases of up to a maximum of 10% of the issued ordinary share capital of the Company (excluding for these purposes the 1,023,453 shares held by the Company in treasury) as at the date of the notice of this meeting.

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

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

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

The statutory provisions governing buy backs of own shares are currently contained in, inter alios, sections 693 and 701 of the Companies Act 2006.

This year's Host Your Kit team strip giveaway has been expanded to include both football and basketball. Over 500 football clubs entered last year's competition.

Robbie Crawford, Rangers FC

Kieron Achara, GB and Scotland Basketball Star

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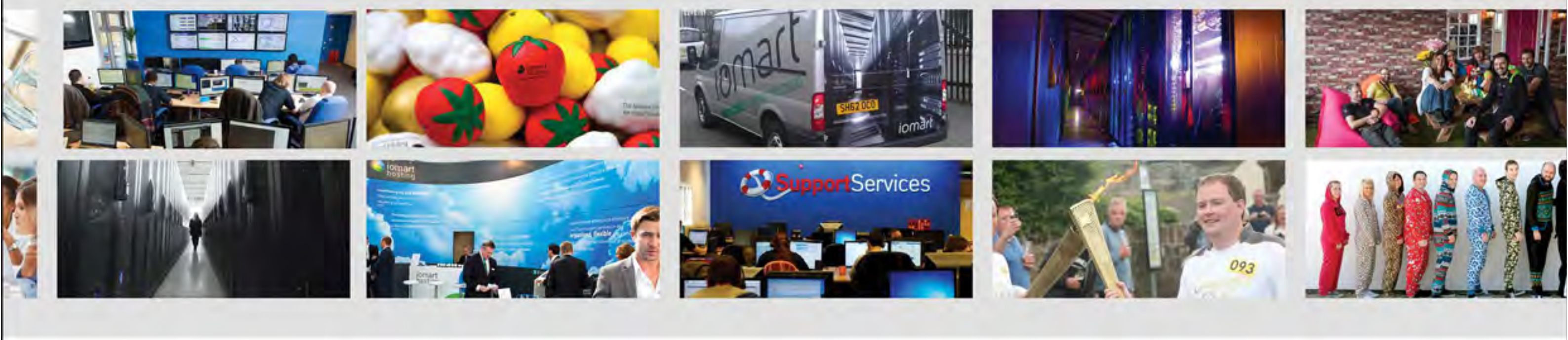
Printed by CCB, FSC certified colour printers.This report is printed on Elimental Chlorine Free (ECF) paper, from sustainable managed forests. Design by iomart Group plc.

"We needed a new and efficient way of operating and managing our IT. iomart Hosting offered the world class, resilient, Enterprise data centre facilities that we needed at a price we could afford."
Robert Reilly, Head of IT for the Royal Horticultural Society
The Royal Horticultural Society was one of 800 new orders placed with iomart Hosting within the year.



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